

Public Document Pack



www.sefton.gov.uk

Town Hall
Trinity Road
Bootle
L20 7AE

Date: 29 August 2024

Contact: Amy Dyson
Contact Number: 0151 934 3173
e-mail: amy.dyson@sefton.gov.uk

Dear Councillor,

AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY 4TH SEPTEMBER, 2024

I refer to the agenda for the above meeting and now enclose the following report(s) which were unavailable when the agenda was published.

Agenda Item 7 was originally named **Current Position Relating to the Audits for 21/22 and 22/23** when the agenda was published.

Agenda No.

- | | |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Corporate Risk Management
(Pages 3 - 28)
Report of the Executive Director – Corporate Services and Commercial |
| 5 | Risk and Audit Service Performance
(Pages 29 - 76)
Report of the Executive Director – Corporate Services and Commercial |
| 6 | Treasury Management Outturn 2023/24 and Position to July 2024
(Pages 77 - 92)
Report of the Executive Director – Corporate Services and Commercial |
| 7 | Statement of Accounts Update - Local Audit Backlog in England
(Pages 93 - 120)
Report of the Executive Director – Corporate Services and Commercial |
| 8 | Audit and Governance Committee Annual Report 2023-2024
(Pages 121 - 164)
Report of the Executive Director – Corporate Services and Commercial |

Yours faithfully,
Democratic Services

This page is intentionally left blank

Report Title: Corporate Risk Management

Date of meeting:	4 September 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	ALL		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in June 2024, the Corporate Risk Register has been reviewed and updated.

The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board in accordance with the Corporate Risk Management Handbook approved by the Committee.

No new risk(s) has been added to the Corporate Risk Register in the current quarter.

One risk has been removed from the CRR.

- Non achievement of our aim and ambition to secure the best outcome from a CQC assessment, against current local pressures and demands.

This has been removed by ASC due to the advanced stage of preparation for the CQC visit. Evidence was submitted to CQC, and visit is imminent.

A presentation on a risk from the Corporate Risk Register will be provided to Members at the September meeting.

The external review of risk management draft report has highlighted a number of recommendations to improve risk management.

There are other on-going initiatives to embed risk management within the Council including assurance mapping and horizon scanning.

Agenda Item 4

Substantial work has been undertaken to attempt to embed risk management across the Council over the past six years through designing a risk framework, providing training, and facilitating the Service and Operational Risk Registers using resources across the Risk and Audit Team to facilitate improvements. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.

There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the consistent regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member and the Risk team when requested.

There is one service where the updating of their SRR over the past 12 months hasn't been timely so further work is being undertaken with the service to ensure this is improved. ORRs remain an area to be improved across the Council and the Risk and Audit service are continuing to work with teams to facilitate this across the organisation.

The implementation of the Council's risk appetite will help to further embed risk management within the Council and should improve corporate decision making. The risk management training will assist staff and members understand the principles of risk management in a consistent manner.

There is further work planned to improve risk management within the organisation through the roll out of Key Risk Indicators.

The initial findings from the external review of the Council's risk management review have highlighted areas to improve which the team will set out an action plan for the next meeting to consider.

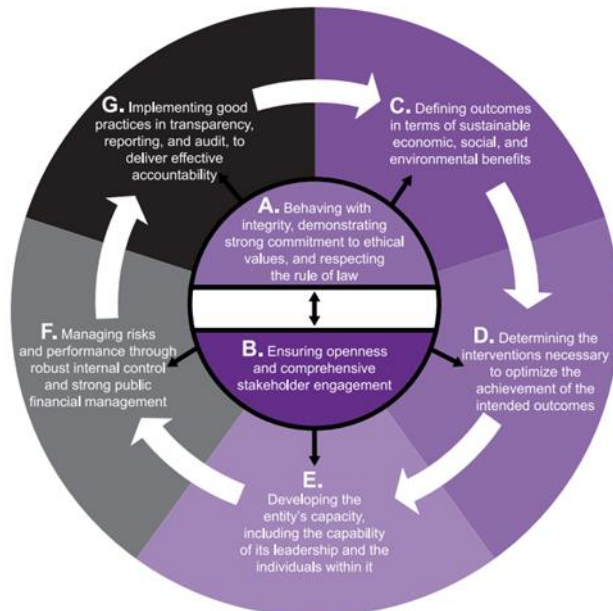
Recommendation(s):

(1) Consider the updated Corporate Risk Register, noting the nature of the major risks facing the Council, and the controls and planned actions in place to mitigate these risks.

1. The Rationale and Evidence for the Recommendations

Introduction

- 1.1 Risk Management is defined as 'systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses.'
- 1.2 Chartered Institute for Public Financial Accountant, the key regulator on governance for the Public sector outlines in the publication "Delivering Good Governance in Local Government: Framework"(CIPFA/Solace 2016), the approach to ensure that there is effective governance in place using a number of principles, detailed in the diagram below. One of the key principles is on risk management although risk is a cross cutting theme through the guidance.



- 1.3 Principle F – outlines that managing risk and performance through robust internal control and strong public financial management which reinforces that risk management is an integral part of good governance.
- 1.4 There are three sub principles which are:
- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
 - Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
 - Ensuring that responsibilities for managing individual risks are clearly allocated.
- 1.5 Each year as part of the Annual Governance Statement a review of each of the principles from the above guidance is undertaken to produce the statement which is included in the Annual Accounts and is approved by the Audit and Governance Committee.
- 1.6 The Risk Management Strategy included in the Corporate Risk Management Handbook, which is presented to the Audit and Governance Committee on an annual basis for approval, states that:
- 1.6.1 “Risk Management is to be an integral part of the planning and decision-making processes of the Council and that the Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
- 1.6.2 Risk management is a central part of Council’s strategic management and its corporate governance. Effective risk management makes sound business sense and is a good management tool as it helps to ensure that the corporate strategic objectives, in this case Sefton 2030, are achieved. The focus of good risk management is the identification and treatment of risks that could affect the delivery of these objectives.
- 1.6.3 Risk management should be a continuous and developing process which runs throughout the Council’s activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative.”

Agenda Item 4

- 1.7 The responsibilities for risk management within Council are detailed in the Constitution in the Financial Procedural Rules section. Selected extracts include:
- 123 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- 124 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Heads of Service (Now referred to as Assistant Directors). The Audit and Governance Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.
- 125 Executive Directors and Heads of Service are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.
- 128 Executive Directors and Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.
- 129 Executive Directors and Heads of Service will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.
- 130 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process."
- 1.8 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this further into the organisation. The Corporate Risk Management Handbook (CRMH) outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
- Corporate Risk Register (CRR)– risks scored at 19 plus. These are the key risks affecting the Council.
 - Service Risk Registers (SRR)– risks scored between seven and 18 which are owned and managed by the Head of Service.
 - Operational Risk Registers (ORR) – risks scored at six and below which are owned and managed by Service Managers.
- 1.9 An updated CRR is presented at each meeting of this Committee for Members to consider. The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board. The CRR has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated CRR is set out at Appendix A, using the revised scoring approved by Members in September 2022, for noting by the Committee.
- 1.10 The SRRs are owned and should be reviewed by the Assistant Directors on a quarterly basis and provided to the Risk and Audit team for information. The completed Service Risk Registers are used by Audit as an agenda item in the formal six-monthly meeting with the

Agenda Item 4

Assistant Directors and are also used for the monthly budget meetings that are held by Financial Management with the Service Management teams.

1.11 The Operational Risk Registers are owned and revised by Service Managers. The Risk and Resilience Team, assisted by the Internal Audit Team, work with the individual teams to facilitate regular reviews of the risk registers which will help to embed risk management at the centre of the Council's activities.

2. Key Developments

2.1 External operating environment

2.1.1 The external operating environment has continued to evolve over the past quarter building on a number of significant external events occurring in the previous 24 months. These events can affect existing risks by potentially increasing the impact and/or likelihood as well as create new risks which could potentially detrimentally impact on the achievement of the Council's strategic objectives.

2.1.2 Some of the events that have occurred and still impacting include.

- UK inflation although falling has been substantially greater than originally planned impacting on organisations and individuals.
- Energy costs whilst lower than 12 months ago are higher than before the invasion of Ukraine.
- Combination of significantly higher than planned inflation, food cost inflation and increased energy costs leading to a cost of living impact to households.
- Supply chain issues continuing post Covid-19 and complicated by Ukraine invasion and the restriction of the use of Suez Canal.
- Geopolitical tensions in the Middle East
- Heightened cyber security risks remaining following invasion of Ukraine.

2.2 Corporate Risk Register (CRR)

2.2.1 Since the June 2024 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

2.2.2 No new risk(s) has been added to the Corporate Risk Register in the current quarter.

2.2.3 One risk has been removed from the CRR.

- Non achievement of our aim and ambition to secure the best outcome from a CQC assessment, against current local pressures and demands.

This has been removed by ASC due to the advanced stage of preparation for the CQC visit. Evidence was submitted to CQC, and visit is imminent.

2.2.4 There have been several changes to the narrative within the CRR to reflect improvement in controls and proposed actions.

2.3 Service Risk Register (SRR)

2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the SRRs, in line with the requirements detailed in the Corporate Risk Handbook, would be provided to the Committee indicating how many had been updated and shared with the Risk and Resilience Page 7 on a rolling 12-month basis. A copy of the

Agenda Item 4

SRR from each Service Area is requested at the same time updates for the Corporate Risk Register are requested from members of Strategic Leadership Board. The following provides details of the outcome of the SRR response for a rolling five quarters.

- 2.3.2 A total of nine (90%) SRRs have been provided for Q2 2023/24
- 2.3.3 A total of nine (90%) SRRs have been provided for Q3 2023/24
- 2.3.4 A total of nine (90%) SRRs have been provided for Q4 2023/24
- 2.3.5 A total of eight (80%) SRRs have been provided for Q1 2024/25
- 2.3.6 A total of nine (90%) SRRs have been provided for Q4 2023/24
- 2.3.7 The Team have worked with all Service Areas to ensure that there is an updated Service Risk Register for this quarter.
- 2.3.8 Focus on work during the next quarter will continue on ensuring that the SRRs are updated taking into consideration the risks within the Operational Risk Registers as well as ensuring that there is a 100% response to the quarterly request for an SRR. The Team are continuing to be looking qualitatively at the SRRs and provide feedback to the risk owners.

2.4 Operational Risk Registers (ORR)

- 2.4.1 The Risk and Resilience team continue to work with Service Managers and Assistant Directors from selected service areas to ensure the escalation process for risk is fully embedded and relevant risks are escalating from ORR to SRR and SRR to CRR where appropriate. It is noted that the escalation process does not appear to be embedded in every Service Area and in some cases SRRs appear to be completed without consideration of ORR content. Some ORRs are not being updated regularly in line with guidance and there are some outliers where ORRs are not routinely in place, and the Team are continuing to work with Teams to facilitate their completion.

2.5 Proposed actions from June 2021

- 2.5.1 In order to address the issues identified with the embedding of risk management in June 2021, all Assistant Directors were engaged, and the following actions identified and agreed to improve how risk management is embedded within the organisation. As previously reported a number of key actions have been completed with the exception of the following:
- 2.5.2 It is important that to properly embed risk management that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. Guidance has been provided previously to Assistant Directors on the proposed agenda item and testing of agenda and minutes was undertaken in January 2023. Testing in June 2023 has confirmed a similar picture with all but one Service Area holding at least one formal agenda item each quarter on risk. Testing in September 2023 confirmed a similar position to June 2023 with the same Service Area not holding a formal agenda item on risk each quarter. In May 2024 the testing confirmed that only four service areas had an agenda item on risk over the past three months which is a notable reduction from the last testing. A further test will be completed for December meeting.
- 2.5.3 The sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Assistant Directors were requested to provide evidence in March 2022 that in the last quarters evidence was provided that the SRR had been shared with the relevant Cabinet Member. Testing in April/ May 2022 as previously reported to the June 2022 Committee update, noted that there had been progress although it was not a consistent picture across all of the Service area

Agenda Item 4

Service Area has shared their SRR with the relevant Cabinet Member. Testing in September 2023 confirmed that two Service Areas had not or were not sharing their SRR with their Cabinet Member. In May 2024 the testing confirmed that only four service areas had a agenda item on risk over the past three months which is a notable reduction from the last testing. A further test will be completed for December meeting.

2.5.4 An e-learning package on risk management is to be launched across the Council during the next 12 months. This has now been completed in June 2024 and a link has been provided to staff and Members.

2.6 Risk Appetite

2.6.1 Following the approval of the Council Risk Appetite Framework in March 2023 the Team has designed training for the Departmental Management Team members, in each Service Area, who normally completed the Committee papers. This training has been rolled out over the summer and concluded in September 2023. The format of Committee paper header to includes risk appetite within the approval process of the paper and therefore the action is considered to be completed.

2.7 Next steps

2.7.1 Following on from the approval of the Sefton Assurance Map in March 2024 by the Committee a further review will be undertaken later in the financial year to update the Assurance Map before bringing back to Members.

2.7.2 As part of the insurance tender in September 2024 two insurers have included essentially free risk bursaries to enable the Council to improve its risk management practices.

- One of the insurers has reviewed and provides assurance on the embedding of the Council's Risk Management Strategy during the 2023/2024 financial year. The details of the draft findings are detailed below in section 3.
- With the second insurer a horizon scanning session with Strategic Leadership Board/ Executive Leadership Team has been proposed to identify and assess longer term risks which may impact on the achievement of the Council's objectives over the next three to five years. They will also review the Sefton Assurance Map to provide assurance on the work that has been undertaken and to provide highlight any proposed improvements.

2.7.3 The Team are currently developing Key Risk Indicators for all of the risks in the CRR which will provide through a framework of indicators a quantitate assessment of the risks alongside the qualitative judgement of the risk owners. The Team have identified a number of measures after discussions with the risk owners and hope to finalise this during the summer of 2024/25.

2.7.4 A review of the Corporate Risk Management Handbook, attached, has taken place which reflects some of the simpler changes highlighted in the external risk management review and the risk descriptors used for the impact scoring to align with the Risk Appetite Framework. A further review of the document will take place in the Autumn 2024 to take forward the more comprehensive changes that the external risk management review has highlighted should be considered. It is planned to bring this back to the Committee in December 2024 for noting.

3. External Risk Management Audit

3.1 The external review undertaken by Gallagher Bassett was completed in February/ March 2024 with the draft report provided on 29 April 2024. The review was completed using the following methodology:

Agenda Item 4

3.2 Stage 1 – Review of Corporate Risk Management Strategy.

A desk-top review of key documents was undertaken. This review focused upon risk management strategies, policies, plans and procedures, risk registers, and minutes of key meetings in which risk management is discussed.

3.3 Stage 2 – Stakeholder Interviews

A series of 12 x one-hour interviews with key internal stakeholders (mostly risk owners and system users) were undertaken between 7th March and 14th March 2024 to determine how the risk management strategy is implemented and its perceived effectiveness. Interviewees were selected from the senior levels of the management hierarchy including Service Managers, Assistant Directors and Executive Directors from various parts of the Council. An overview of the results of the interview process is detailed within the section of this report titled 'Risk Management Health Check Review Findings'.

3.4 Stage 3 – Online Risk Management Survey

In conjunction with the interview process, a short online risk management survey was sent to 163 managers who had not been invited to participate in the interview process. The results of the online survey are detailed within the section of this report titled 'Risk Management Survey Results'.

3.5 The response to the draft report has not been completed and shared with Gallagher Bassett however the key recommendations include:

- Providing more developmental opportunities for staff at all levels to raise understanding particularly amongst front line leaders.
- Updating the Corporate Risk Management Handbook (and appendices) so that it is more user friendly and is clearly recommunicated and available.
- Raising the profile of risk management by publicly celebrating risk management successes within the Council, as well as publishing lessons learned from failures.
- Identifying ways of integrating risk management more overtly so people are aware it's importance within their roles.
- If cross cutting operational risks are being adequately identified and evaluated in a collective / corporate way.
- In the longer term continue to develop the suite of KPI's associated with measuring the performance of the risk management journey and how it can be used more proactively to exploit opportunities.

3.6 A further update after the final report has been agreed will be provided to Members at the September meeting.

4. **Summary of the current position**

4.1 Substantial work has been undertaken to attempt to embed risk management across the Council over the past six years through designing a risk framework, providing training, and facilitating the Service and Operational Risk Registers using resources across the Risk and Audit Team to facilitate improvements. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.

4.2 There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the regular updating of SRRs, considering the

Agenda Item 4

outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member and the Risk team when requested.

- 4.3 There has been a slight blip in the updating of SRRs over the past 12 months. ORRs remain an area to be improved across the Council and the Team are continuing to work with Service Areas to facilitate this across the organisation.
- 4.4 The implementation of the Council's risk appetite, will help to further embed risk management within the Council and should improve corporate decision making. The risk management training will
- 4.5 There is further work planned to improve risk management within the organisation through the roll out of Key Risk Indicators.
- 4.6 The initial findings from the external review of the Council's risk management review have highlighted areas to improve which the Team will set out an action plan for the next meeting to consider.

5. Presentation to the Audit and Governance Committee Meeting

- 5.1 At the Audit and Governance Committee in December 2019 it was agreed that for each meeting a short presentation would be made by a risk owner on one of the risks from the Corporate Risk Register. The briefing, in line with good practice on risk management, should be on the background to the key risk, the current controls and the actions to mitigate the risk further.
- 5.2 A presentation will be provided to Members at the September meeting.

2. Financial Implications

There are no direct resource implications.

3. Legal Implications

There are no legal implications from the paper.

4. Corporate Risk Implications

The paper details the Corporate Risks facing the organisation that have been identified, the controls used to mitigate the risks and the further actions that are planned to reduce the risk to the organisation's risk appetite.

5 Staffing HR Implications

There are no staffing HR implications.

Alternative Options Considered and Rejected

None

Equality Implications:
There are no equality implications.
Impact on Children and Young People:
There are a number of Children's Services related risks in the Corporate Risk Register. There are no direct implications as the existi

Agenda Item 4

summary of what has already been agreed. Where risks are managed effectively the achievement of the Council's objectives in this case for Children's Services will more likely be achieved.

Climate Emergency Implications:

The recommendations within this report will have a positive impact. The report provides a summary of the risks identified and managed that will impact on the delivery of the Council's purpose. The Corporate Resources and Customer Services Service Risk Register includes a Climate Change Emergency risk with actions to mitigate its impact and likelihood

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services and Commercial (FD.7748/24) and the Chief Legal and Democratic Officer (LD.5848/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision:

Following the expiry of the "call-in" period for the Cabinet decision.

Contact Officer:	David Eden
Telephone Number:	0151 934 4053
Email Address:	David.eden@sefton.gov.uk

Appendices:

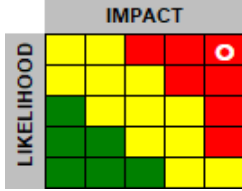
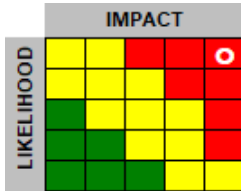
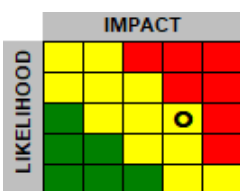
The following appendices are attached to this report:

- Corporate Risk Register August 2024

Background Papers:

There are no background papers available for inspection.

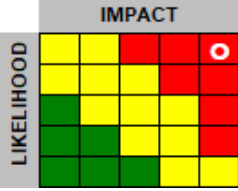
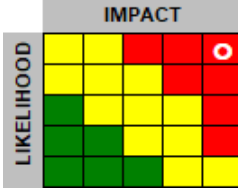
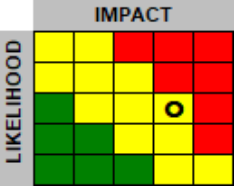
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.</p>			
<p>Causes</p>	<ul style="list-style-type: none"> High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues. National funding allocations are not increasing annually at a rate to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope. The number and value of requests from mainstream schools for "top-up" funding (for children with SEND) continues to increase year on year as schools face financial pressures to meet the first £6k of any SEN Support. Maintained special school provision is full and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed through extra In-house provision, there remain risks that external placements may continue at high additional cost. Central Government have advocated parental preference for SEND provision - which has added to the number of children being placed in independent provision - with no additional funding. The current accounting override whereby the HNF deficit is ringfenced will continue until April 2026, but the increasing accumulative deficit poses a significant financial risk to the council. 		
<p>Result</p>	<ul style="list-style-type: none"> Sefton's High Needs cumulative budget deficit is £35m at the end of 23/24. The estimated deficit on the high needs block continues to be held on the Council's Balance Sheet. Whilst the current DfE regulations do not expect the Local Authority's General Fund to cover accumulated deficits, this is still only on a temporary basis until 2026. The council does not have the reserves or balances to meet this deficit if required in 2026 hence the threat to financial sustainability. This is a significant risk to the council and quarterly monitoring statements will continue to be reported to cabinet and council. 		
<p>Current treatment and controls</p>	<ul style="list-style-type: none"> Reporting to Cabinet and Council should focus on the work program that seeks to improve the support to children, the demand for the service and the financial forecast- it should also take full account of the progress in the DFEE led Delivering Better Value Programme. Leadership from Sefton's Executive Director of Children's Social Care and Education, Assistant Head of Education and the SEN team Managers on how costs can be contained. Sufficiency statement produced that will drive future strategy and financial sustainability. Lobbying and engagement of both DfE and MCCLG on financial impact and the need for increased support or confirmation that this will continue to be a DSG issue post 2026 Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing three-year financial plans, identifying any strategic savings to mitigate high calls on DSG High Needs funding. Review of place and top up levels of funding. 		

Appendix A - Corporate Risk Register September 2024

	<ul style="list-style-type: none"> • In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people. • Council now part of DfE Delivering Better Value Program-it should be noted however that this is focused on the system and not on delivering financial sustainability therefore the council cannot rely on this programme to meet its key financial objective • Comprehensive quarterly reports to be presented to Cabinet and Council on sufficiency, in house provision, funding and deficit to provide rigor, transparency and inform decision making • As part of the Council's transformation programme SEND is a specific transformation project and reflects the 3 key areas of activity each of which will support the service • As part of the annual audit plan a review of the systems and processes within this function has been undertaken to ensure that the overall environment is robust, supports effective decision making and the use of resources- this report will be issued in Q2 of 24/25.
<p>Risk owner</p>	<p>Assistant Director of Education</p>
<p>Proposed actions</p>	<ul style="list-style-type: none"> • Through the High Needs Review the LA has been working on two specific workstreams with School representatives working on a number of key areas: • Developing a new funding model to support children with EHCPs. • Clarifying high needs funding outside of the EHCP process. • Reviewing provision and placement sufficiency. • Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes. • Review of the graduated response and supporting SEN leadership in schools. • Sefton has been working in partnership with the DfE since December 2022 to develop solutions to bring the High Needs Budget into a more financially secure position going forward and help to reduce the accumulated deficit over a set period. • The sign off of the High Needs Deficit action plan through the Delivering Better Value Programme was conducted in summer 2023 with a work programme of planned improvements and changes in SEN support for HN children commencing from September 2023.

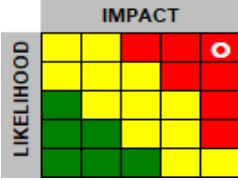
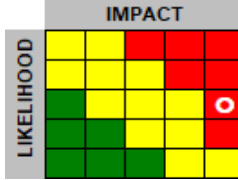
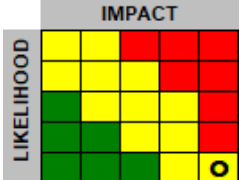
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2023/24.			
Causes	<ul style="list-style-type: none"> The national economy, taking into account inflation and direct government funding which has been reflected in the financial settlement for 2024/25 and planning assumptions for future years and the demand for services will place substantial strain on the Council's overall medium-term budget. As a result, significant budget and cost reductions will be required. Due to the scale of budget reductions made since 2010 there is a risk that further suitable cost-saving / income generating measures will be difficult to identify. The impact on the financial sustainability of the Council is therefore a key risk. 		
Result	<ul style="list-style-type: none"> The Council will need to identify substantial sustainable savings to meet the funding gap that arises from inflation, potential government grant reductions and increased demand for services. The Budget reductions could have an adverse impact on residents and communities. The reputation of the Council may be compromised. Financial sustainability could be compromised. 		
Current treatment and controls	<ul style="list-style-type: none"> The Council set a budget for 2024/25 at its meeting on 29 February 2024. Substantial investment has been made into ASC, CSC and Home to School Transport as part of this and this is where the financial risk exists- robust financial management and monitoring will be required for the delivery of the budget within this approved budget. If there are any variations to the approved budget remedial plans will need to be put in place. The Council does have an appropriate level of general fund reserves however these do not offer the scope to address a budget gap similar to that experienced in 22/23 or 23/24, indeed there is no scope to support an overspend from reserves at all. Within that budget report the key issues that need to be addressed within the next MTFP have been identified and work has started on the next 3-year budget plan. This includes refining all budget assumptions and updating the potential budget gap for these next 3 years- this will be reported in a revised MTFP that will be submitted to Cabinet and Council in September- the council has a new transformation programme that has been established and this is the delivery vehicle for the MTFP with the stated aim of helping delivering financial sustainability. This is key to the financial sustainability of the Council with the key risks remaining in Adult Social Care and Children's Services- these have been mitigated for in 24/25 by all budget assumptions having been agreed with the DASS and DCS but that risk remains. 		
Risk owner	ED CS & C		


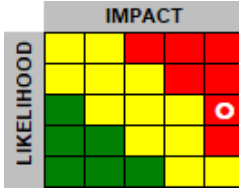
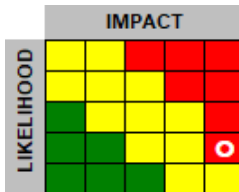
Appendix A - Corporate Risk Register September 2024

Proposed actions	<ul style="list-style-type: none">• Key financial risk for 2024/25 is delivery of savings within Adult Social Care and Children's Social Care delivering services within the budget agreed with DCS - regular and rigorous financial management, monitoring and reporting is required by SLB.• SLB will commence work on the 3-year budget plan for 2025/26 to 2027/28 and an updated MTFP will be presented to Cabinet in September 2024.
-------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------


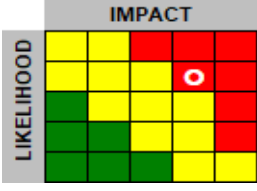
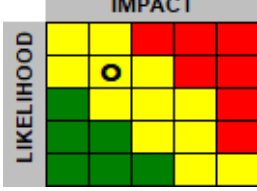
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
The Council is the victim of a cyber-attack.			
Causes	<ul style="list-style-type: none"> Malware, ransomware, or another virus infects the Council's systems. 		
Result	<ul style="list-style-type: none"> Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data. Data breach occurs. Financial impact of ransom. Reputational damage 		
Current treatment and controls	<ul style="list-style-type: none"> Cyberattack prevention measures are in place, including: <ul style="list-style-type: none"> Upgraded Council firewalls and active SIEM monitoring service. Anti malware tools Acceptable use policy updated annually LGA Stocktake completed/Cyber 360 completed PSN Accreditation achieved and reviewed annually New security standards for email encryption implemented Further network security in place to reduce risk Back-up disaster recovery facility is in place at a separate site, for both cloud based and on premises systems. Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems. Ongoing monitoring in in place via ICT governance arrangements. Anti-virus and Malware software is constantly updated across the estate. Communication to employees regarding the rise in cyber-attacks is in place, with an enhanced training offer in place. Review of Cyber Incident planning completed and revised policy released. Removal of unsupported systems from the network and segregation in place as required. 		
Risk owner	ED CR&CS		
Proposed actions	<ul style="list-style-type: none"> The ongoing ICT Transformation programme has seen the majority of systems and data migrated to Microsoft Azure cloud hosting, which will reduce the overall risk; and improve Business continuity however further work is underway to improve the current security posture further. Ongoing Cyber Security Improvement plan in place. External validation and assurance ongoing linked to improvement plan. 		

Appendix A - Corporate Risk Register September 2024


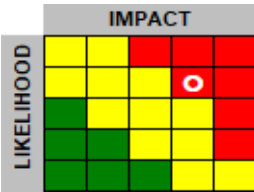
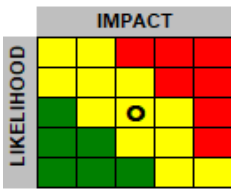
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.</p>			
Causes	<ul style="list-style-type: none"> A major incident occurs affecting the Council or the Borough 		
Result	<ul style="list-style-type: none"> Loss of human life, illness, or serious injury Major damage or destruction to infrastructure, property and/or the environment Disruption or loss of critical services such as transport, communications, utility services Reputational or financial harm to the authority 		
Current treatment and controls	<ul style="list-style-type: none"> Emergency Response Manual and Major Incident Guidance in place. Revised Command and Control structure in place which defines Strategic and Tactical level officers. Emergency Duty Co-ordinators (EDCs) are able to access Resilience Direct containing incident response plans. Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis. Five EDCs have now completed Multi Agency Gold Incident Commander (MAGIC) accredited training. Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside. Humanitarian volunteers in place and regular meetings and training now offered. Continuous development and review of supporting plans. Service Level Business Continuity plans now completed. Business Continuity eLearning package available to all staff Business Continuity risk register completed and review on quarterly basis Business Continuity Policy and strategy have been devised and approved. BC exercises completed in January 2023 and March 2024 for Senior Leadership Board Corporate BC plan drafted and endorsed by ELT in January 2024 		
Risk owner	CEX/ED CS&C		
Proposed actions	<ul style="list-style-type: none"> A Business Continuity Management System has been devised and is currently being implemented. This includes the following: Six monthly review of BC plans and activation exercise undertaken to confirm accuracy of contact details included. External provider to continually provide support in hosting regular BC exercises for all Exec/Assistant Directors. Review and update of BC manual ongoing 		

Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Market Failure of Social Care Provision across Adults and Children's			
Causes	<ul style="list-style-type: none"> • Workforce - Capability and capacity of the available workforce to provide domiciliary care and within the care home market • Strategic - Lack of diversity of supply in the market to provide choice and control. COVID legacy effect on Market. 		
Result	<ul style="list-style-type: none"> • Legal - Inability to provide packages of care for service users and fulfil statutory duty of care and sufficiency duty. • Strategic - Lack of alternative providers able to support social care. Increase in placing young people within Borough, by other LAs placing additional pressure on ASC markets linked to transitions • Operational and Financial - Poor quality service provision and high costs. Significant increase in unmet needs of service users due to a fragile market that is not developing Strategy 		
Current treatment and controls	<ul style="list-style-type: none"> • Strategic - Market Position Statement and refresh of Children's Sufficiency strategy 22-25 allows market management. Strengthen governance via actions and oversight of Executive Commissioning Group/Strategic Commissioning Group. Strategic Commissioning Team more permanent capacity to increase resource. Implementation of Commissioning priorities improvement plan. Delivery of Health and Wellbeing Strategy 2020-2025. Implementation of robust and timely Winter Planning/checklist. Regular review of supply chain contracts. Demand Management Programme embedded in adults and children's. Mitigation of market failure by block purchasing arrangements to support hospital discharge. CQC Assurance preparation. Provider Failure Policy updated, regular Cost of Care exercises and Market Engagement Strategies in production to focus on relationship-based market management. • Operational - Recommissioning of Local Dynamic Purchasing system for Domiciliary Care. Weekly escalation/ visibility of capacity and costs with AD, DASS and wider system. Maximising learning opportunities across C&M DASS group with key areas of focus 		
Risk owner	DCS/DASCH		
Proposed actions	<ul style="list-style-type: none"> • Operational - Strengthened oversight of Quality Assurance (QA) with dedicated Senior Manager support will add the ability to refocus QA resources on identified areas of Market Risk. • Strategic - Continue to focus on strategic plans to current contracts to ensure Value for Money and objectives are met. Gather intelligence to inform risks and ensure resilience and capacity. Development of new opportunities through Sefton Place Based Partnership development. Children's High Risk/High-Cost Project, Commissioning priorities and full work plan. Recruitment campaign developed with Market with ongoing input from Sefton at Work - Workforce Strategy now developed, and subsequent Market Sustainability Plan roll out 2023/24. Work includes use of International Recruitment funding to be allocated to Providers. Links maintained with LCR on key market risks (capacity, workforce, 		

	<p>cost of living, ceasing of covid funding, demand). New Procurement for Domiciliary Care completed. Integrated commission arrangements will develop via new place arrangement. Market Sustainability Plan and Fair Cost of Care Exercise to be sent to Central Government mid Oct. National Government Market Sustainability funding applied to Dom Care and Care Homes 65+. Discharge funding now recurrent through the Better Care Fund. Work continues to mobilise a rapid reablement expansion. Linked to ND review. Work jointly with Health to develop approach to reduction of one-to-one requests. Cost of Care / fee setting work for 2024/25 is commencing, including Care Analytics being commissioned to support with 2024/25 fee setting work, including analysis of impacts of implementing RLW across all ASC sectors. SOP for fee setting in place. Presentation to A&CG by DASS on risk 20 March 2024.</p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

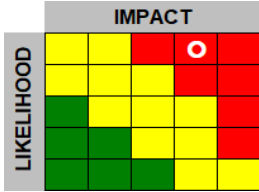
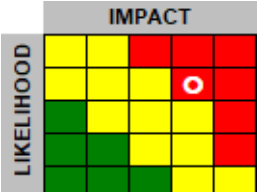
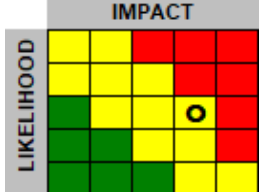
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Demand and Cost of Home to School Transport, impact on the financial sustainability of the Council			
Causes	<p>Increasing expenditure is being driven by:</p> <ul style="list-style-type: none"> • Rising number of children and young people with an Education Health and Care Plan • Rising number of children and young people whose needs are not met in local mainstream provision and placed in educational provision outside the local area • The rising cost of fuel and living • Driver and escort shortages, competing for spare resources. • Parental choice 		
Result	<ul style="list-style-type: none"> • Supply unable to match demand. • Increased waiting times for service users, impact on school attendance • Financial and reputational risks, financial sustainability of Council could be compromised, Budget pressure cannot be contained. • Capacity of the workforce to meet this demand. • Potential for poor service delivery • Negative socio-economic impact. • High level of media and public interest in the Council's actions • Loss of reputation 		
Current treatment and controls	<ul style="list-style-type: none"> • Report to Leadership Team and Cabinet • Engagement with SEND on how demand can be contained • Review of In-House Fleet and Post 16 charging policy • Monthly finance report • Ongoing review of all provision • Personal Travel Budgets 		
Risk owner	Assistant Director of Education		
Proposed actions	<ul style="list-style-type: none"> • Comprehensive review of the system has commenced in reviewing all commercial arrangements, key cost drivers and all decisions that impact cost. This is due to be completed in the next 6 months. 		

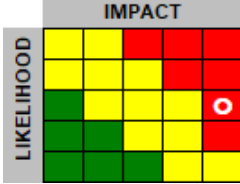
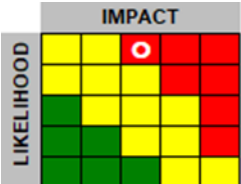
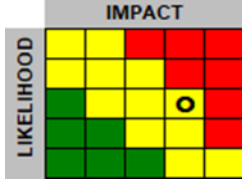
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Children's Services - Impact of Regulatory Framework Outcomes			
Causes	<ul style="list-style-type: none"> The Council's children's services are currently rated as inadequate. As a result, the council is currently delivering its improvement with the support of a commissioner and DfE advisor. 		
Result	<ul style="list-style-type: none"> Social work practice does not meet the standard required Services are found to not adequately safeguard children Reputational damage to the Council and Statutory partners Loss of confidence in partnership arrangements Workforce and financial pressures develop 		
Current treatment and controls	<ul style="list-style-type: none"> Improvement board established under DfE improvement notice DfE Advisor supporting Improvement Programme Regular reports to Overview & Scrutiny Committee Self-evaluation has been refreshed and updated Comprehensive Performance dashboard developed based on required specification Quality Assurance Framework in place Practice Standards in place Triangulation of evidence through audit and peer review, regular auditing and monitoring of performance Workforce strategy in place and delivering skilled and stable workforce Financial plan in place based on DCS requirement Accommodation in place for consolidated service 		
Risk owner	DCS		
Proposed actions	<ul style="list-style-type: none"> Role of Improvement Board to provide oversight, guidance and support will continue and will meet bimonthly The council will continue to Progress the delivery of recommendations made by Children's Commissioner and the improvement plan Report progress and risks to Overview & Scrutiny Committee each cycle, in addition to improvement Board 		

Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Increase in academisation of schools within the borough			
Causes	<ul style="list-style-type: none"> • National Agenda • DfE sponsored academies for schools in a category. • Instability within LA • Liverpool Diocese supporting academisation 		
Result	<ul style="list-style-type: none"> • Potential loss of SLA income which would may require service reductions in Education, corporate services and operational in-house services • Potential loss LA ability to monitor educational standards • Impact of timescales between notification of academy order and timing of Cabinet meetings 		
Current treatment and controls	<ul style="list-style-type: none"> • EE team continue to review offer • Engaging with academies to encourage purchase of SLAs • Promote "Sefton Family of Schools" image- working party established to support schools with decision making and to ensure compliance with academies act • Review of traded services offer to all schools and academies • Representation by Academy CEOs on School Improvement Board • Presentation of this risk to A&G Committee for awareness raising 		
Risk owner	Exec Director CSC & EE		
Proposed actions	<ul style="list-style-type: none"> • Many of the decisions on academisation are out of council control • Individual service areas continue to make attractive and robust SLA offers • New AD to reconvene regular CEO meetings 		

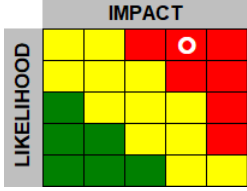
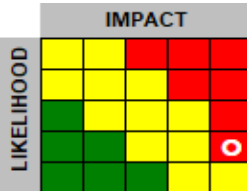
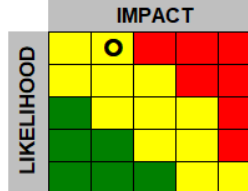
Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to Comply with Sections 1 and 10 of the Freedom of Information Act 2000</p>			
<p>Causes</p>	<ul style="list-style-type: none"> • A person requesting information from a public authority has a right, subject to exemptions, to be informed by the public authority in writing whether it holds the information, and to have that communicated to him, if the public authority holds it (section 1 of The Freedom of Information Act 2000). Section 10(1) specifies that public authorities must respond to requests within 20 working days. • A public authority which fails to comply with any of the requirements of Part I of the FOIA, may be served with a notice by the Information Commissioner (referred to as an ‘enforcement notice’) requiring the authority ‘to take within such time as may be specified in the notice, such steps as may be so specified for complying with those requirements’ (section 52(1)). • Compliance performance levels differ across the Council, due to the demands on particular service areas. Consistency is required in terms of prioritising responses to FOIA requests so that the Council ensures it responds to requests in a timely way. 		
<p>Result</p>	<ul style="list-style-type: none"> • Failure to comply with legal requirements; enforcement action by the Information Commissioner’s Office, damage to Council’s reputation; loss of public confidence, diversion of resource and financial consequences 		
<p>Current treatment and controls</p>	<ul style="list-style-type: none"> • Information management and governance, including compliance with the Freedom of Information Act is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of officers with lead responsibilities for key aspects of information compliance (i.e. Data Protection Officer/IG Lead, Senior Information Risk Owner and Chief Legal and Democratic Officer) supported by other officers with key roles relating to IMG. • Each service is responsible for the handling and management of FOIA requests made to their respective service area. • Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management and Governance Operational Group. • Support, co-ordination, advice and guidance is provided corporately. • The Council has implemented policies, procedures and processes to assist the management of FOIA requests made to the Council. 		
<p>Risk owner</p>	<p>CEX</p>		

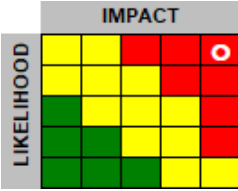
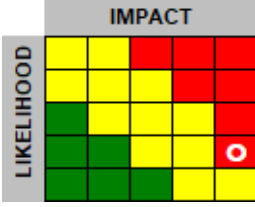
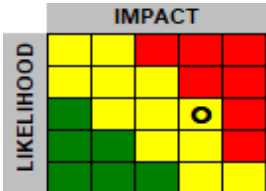
Appendix A - Corporate Risk Register September 2024

Proposed actions	<ul style="list-style-type: none">• SLB to continue to ensure appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following:• Monthly reports continue to be sent to Heads of Service with lists of any outstanding FOIA requests, to ensure appropriate action across their service.• Monthly monitoring and review by IMG EG of compliance with statutory timescales associated with requests and numbers outstanding.• Set targets to ensure compliance with ICO recommendations (95% or more of requests are responded to within 20 working days = good, 90 to 95% of requests are responded to within 20 working days = adequate, fewer than 90% = unsatisfactory).• Regular reporting by IMG EG to SLB and Audit and Governance Committee, as necessary, as to the Council's compliance with the FOIA. Compliance statistics to be published on a monthly basis on the Council's website. Q1 statistics will be available at the end of June 2024.• Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.
-------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Ability of the Council to recruit to its workforce in order to deliver its Core Purpose</p>			
Causes	<ul style="list-style-type: none"> Due to the contraction of the labour market both nationally and locally the council cannot recruit sufficiently skilled staff in order to meet business need. At present this is especially acute within social work teams in both Adults and Children Services. 		
Result	<ul style="list-style-type: none"> The Council does not have the capacity to deliver the services it needs to at the pace or standard required Due to the contraction in the market the council cannot recruit to key roles - over the past 12 months this has been evident in Social Care, Regeneration, Procurement, Performance, Property and Finance Such a scenario places increased pressure on the workforce that cannot be maintained over the long term In addition to the lack of candidates in the market seeking permanent employment and a reduction in availability of temporary or agency staff, the cost of bringing in temporary cover is increasing exponentially this creating budget pressure 		
Current treatment and controls	<ul style="list-style-type: none"> The Council's approach to recruitment and retention has been and will continually be the subject of review. This is a key theme within the recently approved workforce strategy and action plan The Council is building on the success in some areas will seek to 'grow its own' workforce with the promotion of apprenticeships, the social worker academy and graduate programmes The Council will seek to continually enhance its culture in order that staff remain in Sefton The Council will work with Liverpool City Region Partners to recruit talent nationally and look at training and development programmes across the region that will be attractive to potential candidates 		
Risk Owner	ED CS&C		
Proposed Actions	<ul style="list-style-type: none"> The action plan for the workforce strategy details the key activities that will be undertaken to maximise the council's position in the workforce market Extensive work has been undertaken within Children services over the last 18 months to ensure that a skilled and stable workforce can be recruited to and retained. This includes a full review of pay and benefits the development of the social worker academy and the recruitment of overseas social workers. this work will continue to support the service and similar activities and innovation will take place across the council Work has commenced with Liverpool John Moore's University to determine how pathways can be opened for graduates to join the council both on interim placements and full-time employment 		

Appendix A - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inability to deliver the requirements and commitments for the Growth Programme and its associated Projects.</p>			
<p>Causes</p>	<ul style="list-style-type: none"> • Required Capital and Revenue funding not available to deliver the projects for Economic Recovery and Growth. This can be due to unavailability or timing of funds available. • External pressures affecting the construction sector, leading to challenges to project deliverability, affordability or timescales. This includes inflationary cost pressures; insufficient market capacity, contractor availability and contractor capacity; insufficient availability of materials and/or labour; delayed lead-in times for materials or services; rising prices for services, materials and equipment. • Insufficient internal staffing resource, hindering effective and timely delivery. 		
<p>Result</p>	<ul style="list-style-type: none"> • Increased business failure • Reputational Damage especially on projects declared already in the public domain. • Increased unemployment • Financial and reputational risks to the Council • Impact on communities. • Loss of reputation • Impact of wider economic change on residents, particularly the most vulnerable 		
<p>Current treatment and controls</p>	<ul style="list-style-type: none"> • Growth Programme and associated Governance and project controls. • Bid process and expertise applied to all existing and new funding opportunities. • Members approval and prioritisation of existing and new projects. • Constant and consistent evaluation and use of Growth Budget. • Opportunities in respect to Capital receipts from asset disposal. 		
<p>Risk owner</p>	<p>ED Regeneration, Economy & Assets</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> • # Note - Immediate review of the Government White Paper on Levelling Up to ensure timely advantage taken of any funding opportunity. • Actively pursue all additional funding available in timely and at the earliest opportunity. • Create and make available Bid Team focused on and challenged with successful bids. • Establish Project Review forums and reporting mechanisms for early visibility of reporting of project progress and any emerging issues - on a project-specific and programme-wide basis. • Proactive external engagement with construction sector and key partners (e.g. LCR CA) to ensure visibility and understanding of risks to the sector and potential mitigants. • Develop and implement procurement strategy to ensure sustained competition, robustness of process and suitable partners for project delivery - Currently being actioned. • Further refine and strengthen capital project planning, delivery and governance measures 		

This page is intentionally left blank

Report Title: Here

Risk and Audit Performance

Date of meeting:	4 September 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 1 May 2024 to 31 July 2024.

The report also discusses the resourcing position across the Team as well as in particular the Internal Audit Team, the response and the actions planned for the rest of the financial year.

Recommendation(s):

(1) Note the progress on the and 2024/25 Internal Audit Plan from 1 May 2024 to 31 July 2024.

(2) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council’s key risks

1. The Rationale and Evidence for the Recommendations

1.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Executive Director of Corporate Resources and Customer Services through the Service Manager - Finance.

Agenda Item 5

- 1.2 The mission of the service is “to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.
- 1.3 The Service has the following objectives:
 - To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies, and plans.
 - To align the service with the Council’s changing needs.
- 1.4 In delivering this mission and objectives, the Service encapsulates the following teams:
 - Internal Audit
 - Health and Safety
 - Insurance
 - Risk and Resilience
 - Assurance
- 1.5 This report summarises the main aspects of the performance of the Service during the period 1 May 2024 to 31 July 2024, and gives members a detailed overview of the following areas:
 - Internal Audit:
 - work undertaken in the period, including a summary of work
 - outline of the high priority recommendations made
 - performance against Key Performance Indicators
 - developments relating to this part of the Service
 - Health and Safety, Insurance, Assurance and Risk and Resilience:
 - work undertaken in the period, with key data provided
 - developments relating to these parts of the Service
- 1.6 The report concludes by looking ahead to the forthcoming activities being undertaken by the service.
2. **Financial Implications** – There are no direct financial implications from the report. The report does outline recruitment following a re-structure from May 2024 which are accommodated within the existing budget for the Risk and Audit Team and have been approved by line management within Finance.
3. **Legal Implications** – There are no direct legal implications from the report for decision although the report does include commentary on health and safety issues as well as insurance claims which will involve potential indirect legal implications.
4. **Corporate Risk Implications** – There are no direct corporate risk implications from the report.
5. **Staffing HR Implications** – The report outlines the progress on the recruitment for the restructure completed in Q1 2024/25 and details of resourcing issues from the Internal Audit Team.

Alternative Options Considered and Rejected

None

Equality Implications: There are no equality implications.
Impact on Children and Young People: There are no direct implications in the report for Children and Young People.
Climate Emergency Implications: The recommendations within this report will have a Positive impact. The Risk and Audit Team has been working mainly from home with exception of the Health and Safety Team who undertake periodic inspections of Council buildings to provide guidance and support. The working from home has reduced the teams commuting and therefore carbon footprint. The revised working practices will continue with the Council's agile working policy although the footprint will slightly increase at this point as staff move back to the office at an agreed frequency. One of the audits within the 2022/23 approved audit plan as well as 2023/24 is Climate Change which will provide assurance on the Council's response to the Climate Emergency. Further audits will likely take place to provide further assurance.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services and Commercial (FD.7747/24) and the Chief Legal and Democratic Officer (LD.5847/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision:

Immediately following the Committee meeting.

Agenda Item 5

Contact Officer:	David Eden
Telephone Number:	0151 94 4053
Email Address:	david.eden@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- Risk and Audit Performance report

Background Papers:

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

- Internal Audit Plan 2024/25 (as approved by this Committee on 13 March 2024)

Risk and Audit Service: Performance

Page 33

Audit and Governance Committee
4 September 2024

David Eden
Chief Internal Auditor
Risk and Audit Service
Corporate Resources
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Agenda Item 5

Contents

1.	Executive Summary	Page 3
2.	Introduction	Pages 4 - 5
3.	Internal Audit Performance Update	Pages 6 - 19
4.	Health and Safety Performance Update	Pages 20 - 29
5.	Insurance Performance Update	Pages 30 - 36
6.	Risk and Resilience Performance Update	Pages 37 - 40
7.	Assurance and Counter Fraud	Pages 41-42
8.	Looking Ahead	Page 43
9.	Conclusions	Page 44

Page 34

1. Executive Summary

1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 1 May 2024 to 31 July 2024.

1.2 The report covers each of the areas of the service:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience.
- Counter Fraud

1.3 The report highlights the following key points:

- This has continued to be a busy period for the Service, with the completion of a number of key pieces of work. The performance indicators and key data in this report reflect this positive progress.
- The service continues to seek to support the effective management of risk, which is especially pertinent as the Council transforms.
- The development of the service continues, with a number of improvements having been completed in the period.

2. Introduction

- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor.
- 2.2 The mission of the Service is *“to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”* and the Service has the following objectives:
- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies, and plans
 - To align the service with the Council’s changing needs.
- 2.3 In delivering this mission and objectives, the Service encapsulates the following teams:
- **Internal Audit** – this statutory service provides the internal audit function for all areas of the Council, including maintained schools. Internal Audit can be defined as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal Audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” (Public Sector Internal Audit Standards)
 - **Health and Safety** – supports Council officers and members in providing an effective health and safety management system that meets the Council’s statutory health and safety duties; thereby controlling the risks of injury and ill health to staff and others affected by the Council’s activities.
 - **Insurance** – fulfils the duty to provide an appropriate insurance service for the Council, including claims management, advice on insurance issues and the management of insurable risk.
 - **Risk and Resilience** – develops risk management and mitigation strategies for the Council on emergency planning (ensuring that the Council meets its statutory responsibilities as a Category 1 responder under the Civil Contingencies Act 2004), public safety and business continuity issues.

- **Assurance Team** – will develop a Counter Fraud strategy and co-ordinate the development of counter fraud services across the Council.

1.4 This report summarises the main aspects of the performance of the Service for the period 1 May 2024 to 31 July 2024, covering the following areas:

- Internal Audit:
- work undertaken in the period, including a summary of work completed and an outline of the high priority recommendations made.
- performance against Key Performance Indicators
- anti-fraud update
- developments relating to this part of the Service.
- Health and Safety, Insurance, Risk and Resilience and Assurance and Counter Fraud:
- work undertaken in the period, with key data provided where applicable.
- developments relating to these parts of the Service.

2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

3. Internal Audit: Performance Update

3.1 Completion of Audit Plan

Since the last update to the Committee, the team have progressed a range of engagements. The table below outlines the audits in the Audit Plan that have progressed during the year. For engagements where a draft or final report is issued, the Audit Opinion and number of recommendations are identified.

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Freshfield Primary	Moderate	0	1	3	26-02-24		Draft Report issued, 23/24 Audit plan
Our Lady of Compassion	Moderate	0	3	1	26-02-24	22.07.24	Final Report issued, 23/24 Audit Plan
Our Lady of Walsingham Primary School	Moderate	0	2	1	19-04-24		Draft Report issued, 23/24 Audit Plan
Our Lady Queen of Peace	Minor	0	1	1	19.04.24		Draft Report issued, 23/24 Audit Plan
St Philips CE Primary	Moderate	0	1	3	19.04.24		Draft Report issued, 23/24 Audit Plan
Maricourt High School	Negligible Risk	0	0	1	19.04.24	23.07.24	Final Report issued, 23/24 Audit Plan
Birkdale	Minor risk	0	1	3	03.12.23	23.07.24	Final Report issued, 23/24 Audit Plan
Northway Primary School	Moderate	0	2	2	11.07.24	22.07.24	Draft report.23/24 audit plan
St Lukes Primary School	Moderate	0	5	1	11.07.24		Draft report.23/24 audit plan

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Ursuline Primary School	Minor	0	2	1	10.07.24		Draft report. 23/24 Audit Plan
Summerhill Primary School	Minor	0	1	2	10.07.24	30.07.24	Draft report issued. 23/24 Audit Plan
Petty Cash	Moderate	0	2	5	21.03.24	24.06.24	Final report issued. 23/24 Audit Plan.
Social Value	Moderate	0	5	1	30.05.24	24.06.24	Final report issued. 23/24 Audit Plan
Major Construction Projects	Moderate	1	4	0	29.05.24	21.06.24	Final Report issued. 23/24 Audit Plan
Waste Management	Moderate	0	5	1	05.07.24	06.08.24	Final report issued. 23/24 Audit Plan
Sefton New Directions Risk Management	Moderate	0	3	0	29.05.24	24.06.24	Draft Report issued. 23/24 Audit Plan
SHOL Risk Management	Major	3	1	0	29.05.24	13.06.24	Final report issued. 23/24 Audit Plan
Corporate Governance Review 2023/24	Moderate	0	3	3	07.05.24	02.07.24	Final Report issued. 24/25 Audit Plan
Leisure Centres	Moderate	0	8	2	31.05.24	04.07.24	Draft report issued. 23/24 Audit Plan
Trinity St Peter	Minor	0	0	4	13.05.24		Draft report issued. 23/24 Audit Plan
Merefield	Minor	0	0	1	13.06.24	22.07.24	Draft report issued. 23/24 Audit Plan
Greenacre	Minor	0	1	1	13.06.24		Draft report issued. 23/24 Audit Plan
Jigsaw PRU	Minor	0	0	2	19.06.24	22.07.24	Draft report issued. 23/24 Audit Plan
English Martyrs	Minor	0	0	1	19.06.24		Draft report issued. 23/24 Audit Plan

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Crossens Nursery	Minor	0	2	3	19.06.24	23.07.24	Draft report issued. 23/24 Audit Plan
Kings Meadow	Minor	0	0	1	19.06.24	22.07.24	Draft report issued. 23/24 Audit Plan
Christ the King	Minor	0	1	3	19.06.24		Draft report issued. 23/24 Audit Plan
Holy Family High School	Minor	0	0	2	25.06.24	30.07.24	Draft report issued. 23/24 Audit Plan
Fuel Cards	Major	3	5	2	18.07.24		Draft report issued
Procurement New Legislation	Major	2	3	0	17.07.24	31.07.24	Interim report. Further assurance work will be undertaken in early October 2024
ASC – Inspection Preparation	Negligible	0	1	0	29.07.24		Draft report issued, 23/24 Audit Plan
Sefton New Directions 22/23	Moderate	5	8	0	25-01-24	11-07-24	Final Report issued.
Risk Management Health Check	n/a				29-04-24		Draft report issued to Chief Internal Auditor for consideration. Five short- and medium-term recommendations and two longer term recommendations. Response has been provided to external contractor.
Tree Management (External Review)					Following up with Management to ensure that recommendations from the review will be addressed. Historically there has been a fragmented approach to tree management which the review has identified and tried to address. The Risk and Audit Team have produced a joint report with Green Sefton, that was presented to ELT for discussion in December 2023. The outcome if that the Assistant Director of Operational In House Services is the duty holder for trees and the report has been shared with the aim that		

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
					this is included within the proposed workplan to implement tree management across the Council.		
Code of Conduct					Planning completed and fieldwork commenced		
Credit and Debit Cards					Planning completed and field work commenced		
ASC recruitment and retention					Planning completed and field work commenced		
CSC Procurement					Planning commenced		
Marine Lakeside Event Centre					Planning undertaken however management have requested to delay the commencement of the review until another review completed.		
Bulky Waste					Planning commenced on review		
Planning Financials					Planning completed and field work commenced		
Sundry Debtors					Planning commenced		
Council Tax					Planning completed and field work commenced		
Children with disabilities					Planning commenced on review		
Home to School transport					Planning completed and field work commenced		
Out of Area Placements- ASC					Testing commenced on review. Delay due to staff focused on CQC preparation.		
Home to School Transport					Planning commenced		

Audit Engagement	Audit Opinion	Recommendations			Current Audit Engagements		
		High	Medium	Low	Draft	Final	Progress since last update
Community Football Pitches					Planning commenced on review. Postponed following notice that key staff unavailable to sign off the brief and provide information.		
ASC Finance					Planning commenced		
Freedom of Information					Planning completed and fieldwork has commenced		
Consultancy / Management Support – Children’s Services					Finalising revised draft reports for fact finding exercise regarding contract expenditure, procurement of agency workers; Code of Conduct and mandatory training.		

Details of the grants certified are detailed in the table below.

Grants Certified	Value Certified
Maritime Corridor 2023/24 – Q4 Claim	£200k
CRSTS Highways and Non-Highways Maintenance Work 2023/24 - Q4 Claim	£3.2 million
Southport Eastern Access Corridor 2023/24 – Q4 claim	£91k
CRSTS Highways and Non-Highways Maintenance Work 2024/25 - Q1 Claim	£202k
Lord Street 2023/24 – Q1 Claim	£5k
Lord Street 2023/24 – Q2 Claim.	£nil
Lord Street 2023/24 – Q3 Claim	£5k
Lord Street 2023/24 – Q4 Claim	£nil

3.2 High Priority Recommendations

There are the following high priority recommendations made in the final reports issued since the last update to the Committee and management responses on progress with addressing the recommendations.

Procurement – New Regulations –

- Regular monitoring of their attendance and completion of the training via the TPP update reports should take place to provide assurance to ELT on progress.
- ELT should receive update reports on the progress made in implementing the Action Plan on a monthly basis.

Management response on progress: There is still some confusion from the Cabinet Office concerning the implementation dates of the Procurement Act 2023 due to the recent change in Government. However, we are continuing to work towards the 28 October 2024, unless advised to the contrary by the Cabinet Office.

The Sefton Legal and Procurement Teams are working with the Government Training College. The majority of our Legal and Procurement staff now have their ten training sessions certification. They are all progressing to the top-level qualification which will identify them as experts within the Council in time for the implementation of the new legislation by 28 October 2024. Likewise, Service Team staff involved in the procurement processes and procedures (particularly high value contracts) are progressing towards their certification, depending on their levels of involvement in procurement. From a Council wide training perspective, there will be training, and updates provided to all staff so we may ensure awareness and understanding of the implications of the new legislation and who to contact with any new legislation related queries.

The Legal and Procurement Teams are working closely to ensure we have our updated Public Procurement Regulations (PCR) available on time for the implementation date. We continue to have regular meetings to progress the revised and updated documentation. A meeting with our external advisers is scheduled for week commencing 9 September 2024 when we expect to review the final draft of the revised PCR prior to seeking Council approval.”

Major Construction Projects

- Management should agree the end to end processes that are required to be completed for all major construction projects delivered across the Council, including the supporting documents / templates that should be used. This could be achieved by adopting the project lifecycle and templates contained within the GSI Programme Manual for all construction projects.

Management response on progress: The report proposes opportunity for increased focus on consistency of approach to capital project development and delivery, regardless of which service area is leading the project. The Regeneration, Economy and Assets portfolio is progressing this work to ensure the required capacity, expertise and associated processes are in place for a central service delivering this approach, funded by a mix of capital and revenue. Further related areas of review (such as procurement and health and safety) have also been identified, where more detailed and sector-specific review will be beneficial.

SHOL Risk Management

- A Risk Management Policy / Handbook should be developed outlining SHOL's approach to risk management, including the processes in place to identify, record, assess, respond to, monitor and report risks in accordance with CIPFA good practice. Management may wish to adopt Sefton's Risk Management Policy and tailor the document to reflect SHOL's arrangements.
- A Corporate Risk Register should be developed to formally record SHOLs significant risks and risk details including, but not limited to, risk assessments, risk scores, current controls, actions to mitigate risks and risk owners. Management may wish to adopt Sefton's Corporate Risk Register template and tailor the template where appropriate.
- Risk monitoring and reporting arrangements should be established to ensure that the Corporate Risk Register is routinely reviewed, updated and presented to appropriate committee/ board meetings.

Management response on progress: -The report identifies relevant action areas that will be progressed by management after the peak summer season for the business, when capacity allows. The measures identified will be very robust for a business of SHOL's size, and consistent with other council-owned companies.

Sefton New Directions

- Ensure that Articles of Association and changes to Directors are notified to Companies House within statutory timescales. (two recommendations)
- Draft budget for the year should be approved before 1 April, start of the financial year, each year.
- The directors' mandatory training programme should be extended to include all statutory responsibilities.
- The Risk Management Policy should be developed and presented to the Board.

Management response on progress: - The actions relating to mandatory training and Risk Management Policy are now complete. The Company will also ensure that Companies House is notified as and when required. The Company will also approve a draft budget in advance of the financial year, working with the Council to understand the likely level of contract uplift for the year.

3.3 Commissioned Health Check Review of Risk Management undertaken by Gallagher Bassett

The response to the draft report received on 29 April 2024 has not been completed at the time of writing the report and shared with Gallagher Bassett however the key recommendations include:

- Providing more developmental opportunities for staff at all levels to raise understanding particularly amongst front line leaders.
- Updating the Corporate Risk Management Handbook (and appendices) so that it is more user friendly and is clearly recommunicated and available.
- Raising the profile of risk management by publicly celebrating risk management successes within the Council, as well as publishing lessons learned from failures.
- Identifying ways of integrating risk management more overtly so people are aware it’s importance within their roles.
- If cross cutting operational risks are being adequately identified and evaluated in a collective / corporate way.
- In the longer term continue to develop the suite of KPI’s associated with measuring the performance of the risk management journey and how it can be used more proactively to exploit opportunities.

A response has been provided to Gallagher Bassetts and a further update after the final report has been agreed will be provided to Members at the December meeting.

3.4 2023/24 Resources and Performance

The following table outlines the Audit Team’s performance against the Key Performance Indicators outlined in the Audit Plan agreed by the Committee in March 2023.

Description and Purpose	Target	Actual	Variance and Explanation
This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council’s systems.	See graph below.	See graph below and narrative.	1% variance. Commentary on the performance is noted below.

Description and Purpose	Target	Actual	Variance and Explanation
Percentage of Audit Plan completed.	33%	32%	
Percentage of Client Survey responses indicating a “very good” or “good” opinion This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.	100%	100%	One client survey received during quarter.
Percentage of recommendations made in the period which have been agreed to by management. This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.	100%	100%	No variance

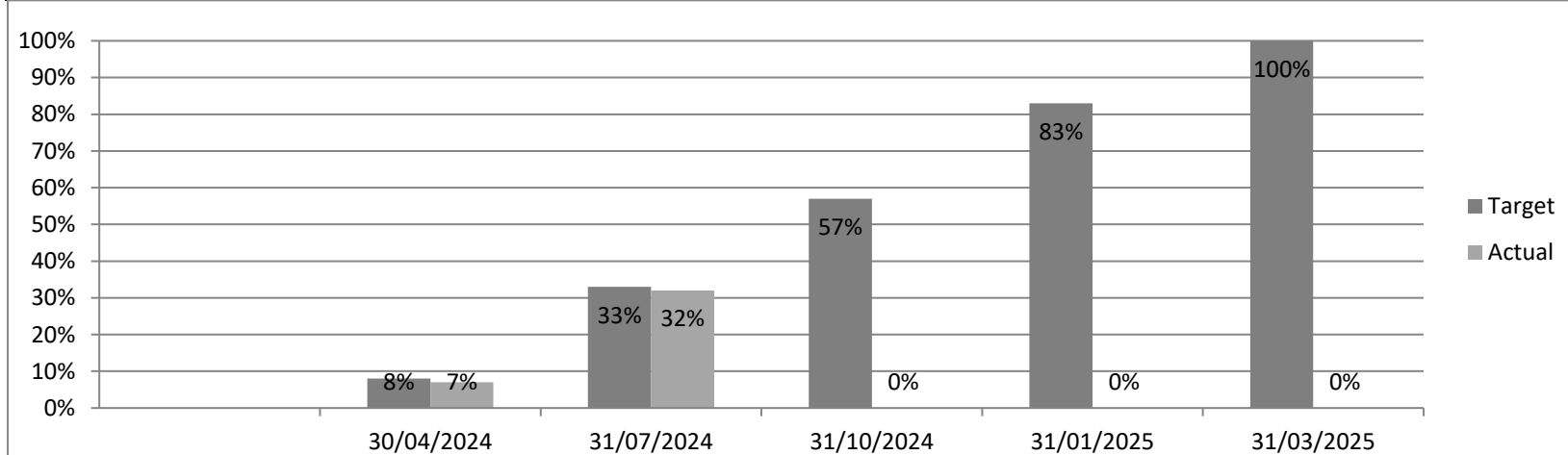


Fig 1: % of 2024/25 Internal Audit Plan completed as at 31 July 2024.

Figure 1 above shows that 32% of the audit plan was completed during the period against a target of 33%. Although close to target overall, some audit areas have taken longer than planned:

- Grant Funding - reflects a larger volume of grants than planned.
- Work carried over from 23/24 audit plan – to be picked up in next year's planning.
- Alleyway Clearance -discussed with auditor

Whilst a number of audits from Quarter 1 have not necessarily been fully completed the auditors are undertaking audits in Quarter 2 as part of an ongoing portfolio of 4/5 audits at anyone time to ensure that the team can work around the organisation's capability and capacity to respond. Therefore, the auditors are more broadly spread across two quarters work.

As reported previously to the Committee, in January 2024, a Principal Auditor joined the team, and we have also obtained the services of a second new agency Principal Auditor for up to six months from June 2024 who joined a first temporary Principal Auditor who started in April 2024. Currently, the team comprises Audit Manager, four Principal Auditors of which two are temporary, a new CIPFA trainee and a vacancy for a Trainee ICT-Auditor.

- A new CIPFA trainee joined the Audit team in April 2024 and a handover of responsibilities has occurred from the previous post holder.
- As per the 2024/25 Audit Plan resources two temporary Principal Auditors have been recruited with one in April 2024 and a second in June 2024. Although the recruitment market for temporary auditors is better than in recent years there is a lack of deeply experienced and qualified staff in the market particularly at the current salary point used for temporary staff and there is significant opportunity for candidates in the market to obtain premium "day rates" from other Public Sector bodies.
- Following the re-structure discussed in the last update the previous Trainee ICT Auditor has moved into another post in the Risk and Audit Team and we have advertised and appointed a Trainee ICT Auditor working through the local universities. The post holder is due to start in September 2024.
- We are currently recruiting to fill the last vacancy from the re-structure, a Principal Auditor.
- In practice, there is a lead time for new members of the team before they are 100% productive in the delivery of audit engagements. During this time, they complete their formal induction, all the necessary mandatory training courses, learn the Internal Audit process (there are similarities and differences between organisations) and are also starting two or three audits engagements which can be fragmented. New starters will not be in the normal ebb and flow of the audit process for several weeks and we estimate there to be approximately ten development days where new starters are not delivering to their full capacity. Whilst we factor this into the audit planning process it is a judgement call on getting the staff member to start into

post and being able to get auditees to provide information with the right timing. Currently, three members of the team have been in post for less than three months, one since January 2024 and two members of the team have been in post for more than a year.

- For the period 1 April to 31 July 2024 there were 12 days lost due to sickness. Two of the absences are ongoing currently and may continue longer which could impinge on the delivery of the audit plan approved in March 2024. A further update will be provided to members at the Committee.

The proposed re-structure of the Risk and Audit Team has implications for the Audit Team which includes a new Principal Auditor and the recruitment to the existing Trainee ICT Auditor post as the post holder moves to another position within the Risk and Audit Team. As we recruit to fill these gaps it should be noted that the focus will be on operational delivery as the Team will consist of two staff members who have little experience of audit and one new staff member who will need to adopt our ways of working and will require substantial management support.

3.5 **Public Sector Internal Audit Standards (PSIAS)**

In March 2018 the Internal Audit Service was externally evaluated against the PSIAS and was found to generally comply. We report annually to the Committee on our progress and develop an Improvement Plan to further enhance our systems and processes. During 2022/23, the planned external assessment could not be conducted, due to resourcing issues, which has impacted our five-year planning cycle and as a result the service no longer complies with the PSIAS. Despite this, we have completed our annual self-assessment, which will inform our ongoing improvement efforts. Some of the improvements are reported below in 3.10. We are now scheduling an external validation for Q4 2024/25 to ensure compliance with the standards and have contact CIPFA to obtain a review.

3.6 **Institute of Internal Auditors International Professional Practices Framework**

Internal audit professionals around the globe rely on the International Standards for the Professional Practice of Internal Auditing (Standards) and the International Professional Practices Framework (IPPF) to help navigate the complex world of risk management, governance, and control. For more than a generation, these documents from The Institute of Internal Auditors (IIA), which flow through to the UK Public Sector Internal Audit Standards, have guided practitioners in providing internal audit assurance and advice that is independent, objective, effective, efficient, ethical, and of the highest quality.

We reported in December 2023 that the IIA had released a draft that dramatically changes how the *Standards* and other elements of the IPPF are presented and explained. The new *Global Internal Audit Standards*[™] more clearly articulate the keys to effective internal auditing by grouping the *Standards* into five domains:

- Domain I: Purpose of Internal Auditing
- Domain II: Ethics and Professionalism
- Domain III: Governing the Internal Audit Function
- Domain IV: Managing the Internal Audit Function
- Domain V: Performing Internal Audit Services

In January 2024, the Global Internal Audit Standards were issued which will replace the 2017 International Standards for Professional Practice. The 2017 Standards remain in effect for a 12-month transition period until 9 January 2025. The standards apply to any individual or function that provides internal audit services. The Chief Internal Auditor is accountable for the internal audit function's implementation of and conformance with all principals and standards. All internal auditors are responsible for conforming with the principals and standards relevant to performing their duties. CIPFA have confirmed that revised Public Sector Internal Audit Standards are being developed and will be effective from 1 April 2025.

On January 9, 2024, the Global Internal Audit Standards (GIAS) were issued, which are set to become effective globally on January 9, 2025. These standards, developed by the Institute of Internal Auditors (IIA), will replace the existing International Professional Practice Framework (IPPF), forming the basis for the current UK Public Sector Internal Auditing Standards (PSIAS). This transition marks a significant shift in the regulatory landscape of internal auditing within the UK public sector.

The Relevant Internal Audit Standard Setters (RIASS), comprising HM Treasury, the Scottish Government, the Department of Finance Northern Ireland, the Welsh Government, the Department of Health and Social Care, and the Chartered Institute of Public Finance and Accountancy (CIPFA), have agreed to adopt the new GIAS. This collaboration underscores a unified approach towards enhancing internal audit practices across central government, local government, and the health sector within the UK.

The UK Public Sector Internal Audit Standards Advisory Board (IASAB) has been tasked with reviewing the new standards to tailor them for UK public sector use. This involves identifying sector-specific interpretations and additional material to ensure the standards' applicability and effectiveness. The IASAB aims to issue consultation material by September 2024, allowing for at least an eight-week consultation period to gather feedback from stakeholders in the UK public sector internal auditing community.

Additionally, CIPFA is introducing a Code of Practice for the Governance of Internal Audit in UK Local Government. This new code will align with the GIAS, ensuring that internal audit governance within local authorities meets robust standards. The code aims to establish conditions for effective internal audit arrangements, supporting resource optimization and robust governance.

CIPFA's proposed code addresses the governance of internal audit, detailing responsibilities for heads of internal audit and those charged with governance within local government bodies. The code draws on existing CIPFA guidance and sets forth a roadmap to achieve conformity with the global standards, but tailored specifically for UK local government needs. This initiative also includes practical guidance for local authorities, ensuring that audit committees and senior management understand the critical role and value of internal audit functions.

The transition to the new standards is scheduled for April 1, 2025, aligning with the financial year and facilitating smooth integration into annual audit planning and governance frameworks. Both the IASAB and CIPFA will conduct consultations in the autumn of 2024 to finalize the standards and the code of practice, ensuring comprehensive engagement with all relevant stakeholders.

3.7 **Developments and Improvements**

We reported in December 2023 that an improvement plan for Internal Audit had been developed. Since the last Audit and Governance Report, Internal Audit has:

- Involvement in the development of an across Risk and Audit Report on Driving Standards and their implementation including eligibility and competency of staff to drive Council vehicles including the use of electric vehicles
- Continued to monitor staff wellbeing during the prolonged period of home working maintaining frequent regular contact with all team members.
- Completed induction process for one new temporary Principal Auditor.
- Recruitment for Trainee ICT Auditor and staff member appointed
- Recruitment for Principal Auditor started
- Continued to implement dedicated team office days to further strengthen our already strong team dynamics.
- Team is now focused on delivering the revised 2024/25 Audit Plan.
- Trialling shorter weekly update meetings with the team.

In the next quarter, the planned development for the service includes:

- Continue with preparations for upcoming Public Sector Internal Audit External Assessment due in coming year.
- Continue with the implementation of the Internal Audit Improvement Plan.
- Begin the process of reviewing the Global Internal Audit Standards to identify gaps in current processes and documentation and add to the existing Internal Audit Improvement Plan.
- Review the approach to school audits.

4. Health and Safety: Performance Update

4.1 Progress

- 4.1.1 The Corporate Health and Safety team consists of four team members, supporting nearly 8,000 staff (including maintained school staff and schools with a Service Level Agreement) in day-to-day health and safety, advising on accidents, incidents and investigations as well as playing the lead role in seven Health and Safety Sub Committees and the main Corporate Health and Safety Committee. This includes providing advice relating to agency staff, contractors and volunteers working on behalf of the Council. The team is also involved in advising upon events (internally led and external) that occur on council land, as well as overseeing the authorisation process of school visits where they are of an adventurous, overseas or residential nature.
- 4.1.2 The Team continues to deliver a range of services across all departments and schools, which can generally be divided into three main areas:
- Policy and communication
 - Operational reactive and proactive response
 - Active monitoring.
- 4.1.3 Health and safety objectives and key performance indicators have been aligned to the council's 'Vision 2030' and 'One Council' initiatives and core values. These are continually reviewed and drive the programme of work, not only for the team but for services areas through the health and safety sub-committees.
- 4.1.4 Health and safety consultation arrangements remain in place, with the Corporate Health and Safety Committee (CHSC) playing a key role in conjunction with the Departmental Health and Safety Sub-Committees. The next scheduled CHSC meeting will take place in September 2024. Seven sub-committees are held and attended by health and safety ahead of the main meeting where salient points raised feed into the main meeting for further discussion and consideration. The structure provides a good avenue for the dissemination of information relating to that particular department and the wider dissemination via the full Committee.

- 4.1.4 The Corporate Health and Safety Policy has been reviewed and updated and now includes measures to bridge a number of loopholes created by current health and safety SLA arrangements.
- 4.1.5 The Health and Safety Team's improvement plan for 2024/25 is well under way, with changes to the schools inspections proposed for September onwards. These will now be targeted instead of all encompassing, concentrating upon such matters as asbestos management, risk assessment and manual handling.
- 4.1.6 The Radiation Protection Officer service will be re-launched by the new team to assure compliance with the storage of low-level radiation products utilised by A level Physics students in schools.
- 4.1.7 An intensive plan of inspections across the civic and Property Service led corporate buildings is also scheduled, with a number of non-civic buildings also being inspected.
- 4.1.8 The Health and Safety team continues to engage in a thorough review of asbestos management both in its council buildings and the schools. This has involved inspections of premises and their accompanying documentation, as well as reactive response upon discovering issues and liaising closely with Building Services. The vast majority of schools have now received asbestos management training by a third-party trainer in Environmental Essentials. Those who have not yet been through have been highlighted to Education Excellence and are subject to a further mop-up exercise. Along with the training, a new Asbestos Management Plan has been drawn up for the schools to follow. Adherence and understanding of the plan will be monitored during inspections, where asbestos management forms part of a targeted audit.
- 4.1.9 There is now a requirement for asbestos management roll out across the corporate estate of the council for which a report has been compiled for the attention of the Executive Leadership Team. This report focusses upon the need to identify duty holders on behalf of the council, as well as Responsible Persons in relevant buildings. This will allow day to day on-site management once those identified have received relevant training. Upon receipt of nominated names, the Health and Safety team will coordinate the training with our supplier, Environmental Essentials
- 4.1.10 There have been two near misses involving fallen trees in the last couple of months which has reaffirmed the Team's focus back to tree management, responsibility for which currently sits with Green Sefton. One of those near misses could have potentially involved a double fatality. Following a report from Gallagher Bassett highlighting improvements that should be put in place an action plan was produced. The Health and Safety Team continue to work with the Operational In-House Services service to establish an effective way forward regarding tree management and the subsequent prioritisation of actions identified.

- 4.1.11 The team has been reviewing procedures relating to the management of grey fleet across the Council, and in particular the responsibility of managers to monitor and check the status of driving documents. The responsibility for checking driving licences and ensuring cars are fit for purpose stem from the longstanding Health and Safety Act's statutory duty of care we have to other road users as a result of actions taken by our employees even if they drive their own vehicles. The Health and Safety team has identified that improvements are required to ensure adequate checks are undertaken consistently across the Council. Proposals will be presented for consideration by ELT to ensure the current procedures are improved and applied consistently.
- 4.1.12 The Team are active members of Sefton Event Safety Advisory Group (SESAG) advising other stakeholders on the Group, as well as event organisers in relation to their responsibilities and best practice. 2023/24 brought about a full schedule of events held across Sefton's parklands and other associated sites, which included everything from music to comedy, food, drink, flowers, fireworks and air displays. All of these have boosted tourism and rejuvenated some of our more disadvantaged neighbourhoods. Whilst most events are relatively low risk in nature, some of the activities incorporated within may be deemed higher risk and require further consideration. Fair rides, inflatables and daredevil stunts are examples of activities that can raise the risk levels of an event and thereby attract the attention of the team. The volume of documentation that can be submitted for such events can be significant. Following an incident at the 2023 Southport Food and Drink Festival, guidance has been formulated relating to the use of inflatable attractions on Sefton land.
- 4.1.13 The Team has recently been involved in the initial planning of Martyn's Law which will affect a number of premises across Sefton's estate. This has led to the identification of those premises and the managers that will be overseeing the process. Free online training programmes have been tested and believed appropriate for incorporation into Sefton's training model. This would require all relevant staff in identified buildings (standard and enhanced tiers) sitting an online course (approx. one hour) in terrorism awareness, with supervisory staff (especially in the enhanced tier) conducting a further one-hour security course.
- 4.1.14 Visits to schools continued throughout the last quarter. This concentrated in the main on those maintained schools that abstained from receiving a health and safety audit in 2023/24 and who continued to abstain in the 2024/25 period. This is another anomaly being addressed in the reviewed Corporate Health and Safety Policy.
- 4.1.15 Visits that have been conducted in schools opting in have generally been well received and the team intends to build upon this success for the 24/25 period. A review of the schools' health and safety SLA was undertaken to maximise the effect of the service, retain current customers and stave off approaches from third party competitors. Instead of a full inspection occurring each year that tied the school and our inspecting team member up for a full day (thereby putting some schools off), audits will now be limited to half a day and run over a three-year cycle. A significant number of our maintained schools (around 17) are in

the process of becoming academies which will impact upon revenue generated by the team, as academies tend to utilise their own health and safety consultants.

4.1.16 Risk assessment remains the mainstay of health and safety and the team receive such documents for review from a range of sources, including corporate departments, schools' external events organisers (via the Evolve database) and from public event organisers (via the Sefton Events Safety Advisory Group). There is a wide range of differing standards when it comes to risk assessment submissions and advice is given upon receipt to strengthen the quality of those submitted. Risk assessments and safe systems of work should be reviewed following accidents or incidents and this message is regularly disseminated by the team to wider management to secure a more robust due diligence system. The team has also been working closely with Property Services to develop its latest risk assessment across the Council's corporate buildings. The standard of risk assessment in most schools has been identified as requiring improvement and will therefore be a major feature for this year's targeted audit.

4.1.17 The team continues to work alongside other Service Areas to review existing practice and establish best practice. Examples of such cross - departmental work include:

- Property Services in relation to:
 - o Fire marshal and first aid provision.
 - o PAT testing.
 - o Security and aggression in public facing council buildings.
 - o Asbestos management / Training
 - o Building etiquette
 - o Review of corporate buildings risk assessments.
- Various parties on the Workforce Wellbeing Group.
- Operational In-House Services and Environmental Health in relation to an Oil Pollution Plan for incidents occurring on our beaches.
- Operational In-House Services and Communities in relation to RIDDOR, tree management and the correct wearing of PPE amongst waste services.
- Various teams in relation to Martyn's Law.
- The Health Unit – in relation to the establishment of health monitoring and provisions for hand / arm vibration.
- Sefton Cleaning and Catering Service in relation to hazards discovered in some school kitchens.
- Sefton Central Training Unit in relation to hazards found within a former school.

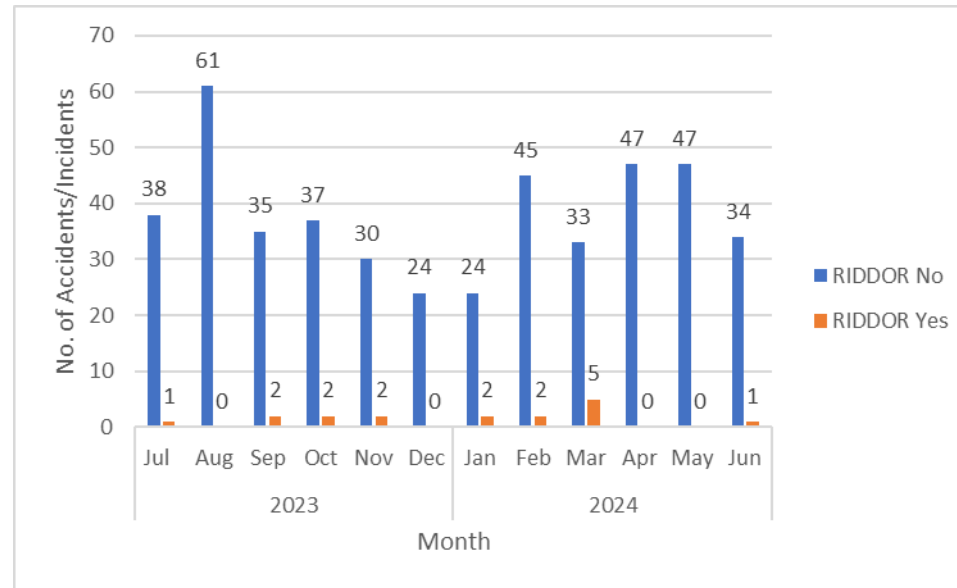
4.1.18 Along with some of the broader projects, the team remains busy with more specific / individual enquiries from both the schools and corporate side. These cover such areas as:

- Pregnancy Risk Assessments
- Stress Risk Assessments
- School's struggling to access the CLEAPSS and Evolve systems.
- The formation of Green / Blue Algae on Crosby Lakeside Adventure Centre.
- The failure of air handling units and excessive temperatures at one of our swimming pools.

4.2 Key Incident Data

4.2.1 The Health and Safety Team continue to manage the Council's incident reporting system which records work-related accidents and incidents involving employees, agency workers, contractors, volunteers, and members of the public.

4.2.2 **Graph 1 below shows the number of Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) against Non-RIDDOR accident and incident data for the Council over the past 12 months, from 1 July 2023 to 30 June 2024.**

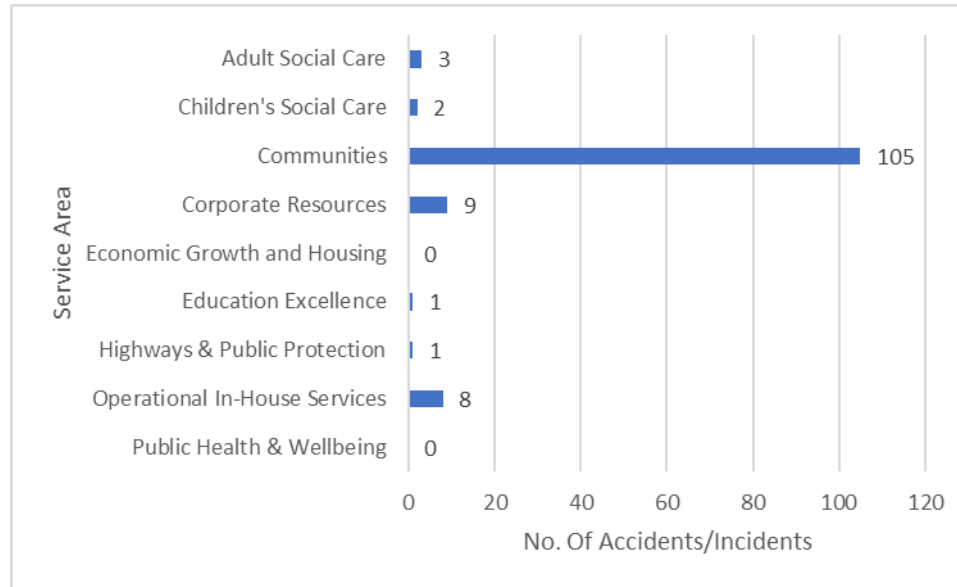


This shows 455 accidents / incidents being reported (not including schools) over a twelve-month period. This is a similar number to those reported over recent 12-month periods of which 17 of these incidents were RIDDOR reportable which were notified to the HSE. The Health and Safety team stipulate that all RIDDOR reports must be discussed with them ahead of sending them out to minimise the potential for mistake. Whilst some teams are now beginning to engage in this, the message continues to be communicated via the health and safety sub-committees. There was a noticeable increase in RIDDOR reports in March, which related to:

- Fracture of ankle whilst walking
- Missed footing whilst mopping stairs.
- Fall of child off play equipment
- Member of Public becoming injured whilst playing sport.
- Injury to eyes during inspection

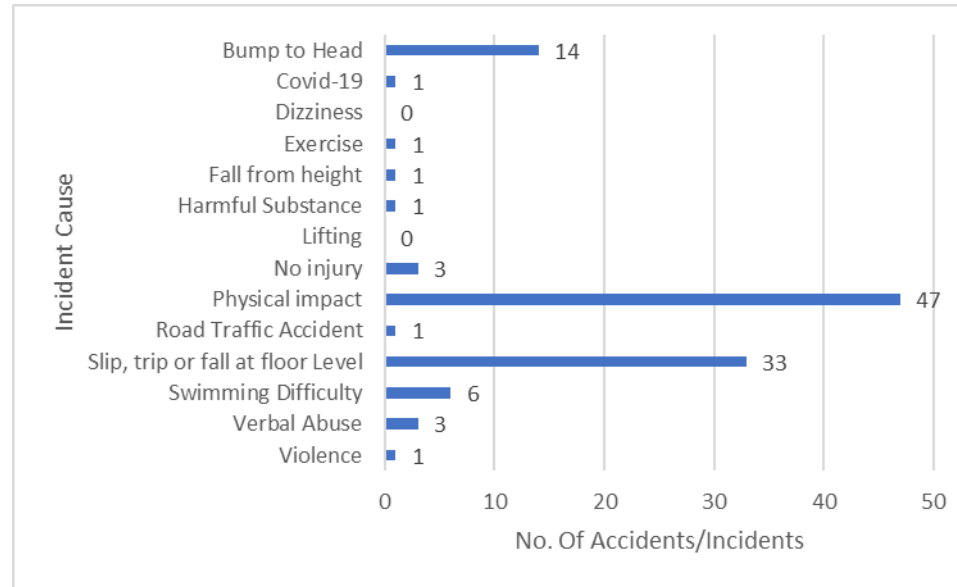
Whilst two of the above incidents are undoubtable RIDDOR's, one is borderline, with the other two unlikely to meet the criteria.

4.2.3 Graph 2 shows Accident and incident data comparisons for Service Areas between 1 April 2024 and 30 June 2024



4.2.4 As can clearly be seen, certain departments continue to under report, despite a 12-month campaign to increase reporting and usage of the database over a 12-month period. Communities is always the highest in terms of reporting, due to their better reporting ethos and the nature of their activities – i.e. always being busy, dealing with children, wet surfaces, sports etc. Corporate Resources figures relate in the main to aggression and incidents faced in Magdalen House and Bootle One Stop Shop. Reported figures for both Adult and Childrens Social Services are below to be expected for the size of the teams and the activities that they undertake. In addition, the reported incident figures for Operational In-House Services are sub optimal and given their duties, working in all weather, traffic and the equipment used, it is believed that these figures should be higher over a three-month reporting period.

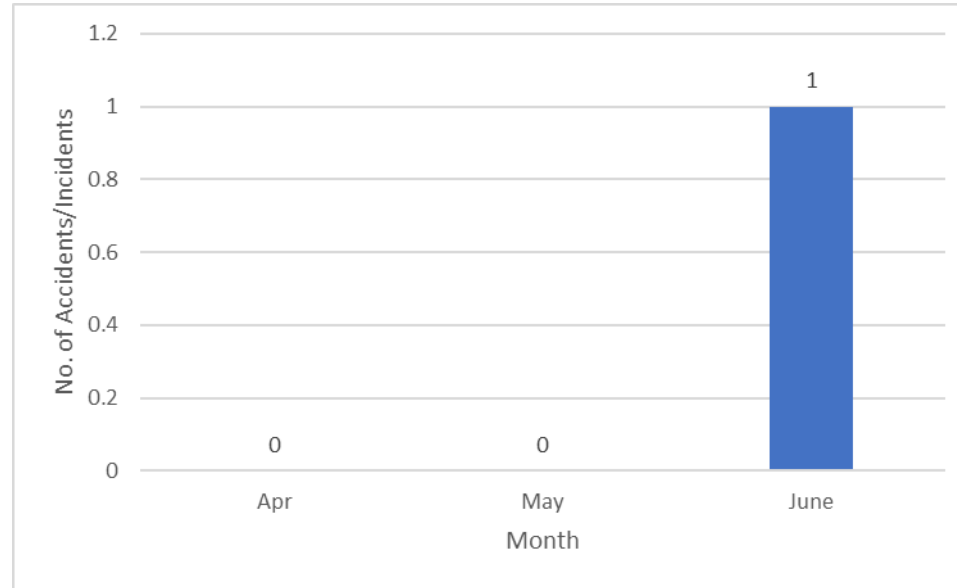
4.2.5 **Graph 3: Reported causes of accidents/ incidents reported across Sefton Council from 1 April 2024 and 30 June 2024**



4.2.6 Physical Impact is always top in terms of injury causes. This relates in the main to incidents within Communities and members of the public coming into contact with another surface as a result of their activity. Occasionally, it will relate to issues such as stored equipment falling against the side of a person or a bin coming away from its housing on a refuse wagon.

4.2.7 No injury includes near misses which are important as learnings, however, with only three reported across the council in a three-month period, this can only be described as poor. It is a drop from 17 in the last quarter, where, even then, there was a need for improvement. Bump to head generally relates to incidents within Communities – e.g. bump to head whilst playing football or swimming etc.

4.2.8 Graph 4: The number of notifications made to enforcement authorities and insurers under the Regulations 2013 (RIDDOR), between 1 April 2024 and 30 June 2024



4.2.9 RIDDOR reports generally relate to more serious incidents or where a staff member has been injured and is subsequently absent from work for more than seven days, due to a work-related injury. This is the key part in any RIDDOR consideration - that the injury stems from a work-related injury and not just merely from it occurring in work. This misunderstanding leads to a number of invalid submissions for which again, the team continues to work with relevant teams to improve understanding. Something that the team has requested over recent quarters is that accidents which are deemed to be RIDDOR's are first discussed with the health and safety team.

4.3 Developments

4.3.1 A reviewed Health and Safety Improvement Plan has been formulated for the coming year with focus now on delivering that plan. The team will be working with the health and safety sub-committees to develop their own service area improvement plans, considering lessons learnt and areas of good practice.

4.3.2 The Corporate Health and Safety Team will:

- Continue to support managers and head teachers with the review and implementation of satisfactory health and safety management systems.
- Review relevant Health and Safety Standards and Policies, creating and publishing new ones where required. Recently formulated guidance included that relating to conducting home visits, use of inflatables and working from home.
- Continue to review and develop the council wide training needs assessment which will include the creation of accident and incident reporting and dynamic risk assessment into the training provision.
- Focus on improving the accuracy of incident reporting, investigation and implementation of controls and monitoring to prevent reoccurrence. Work with managers to ensure incidents of threatening and abusive behaviours towards staff are reported and investigated.
- Support the review of event management by Green Sefton and Tourism as well as Open Water safety by Green Sefton and Leisure.
- Continue to deliver a health and safety monitoring regime across the council, to schools where the council retains responsibility for the health and safety as the employer and those schools with a Service Level Agreement with the Councils Corporate Health and Safety Team. This will provide assurance that health and safety management systems remain suitable and effective.
- Monitor outdoor education activities, offering advice and reviewing risk assessments for off-site visits and adventurous activities involving young people in schools. This is managed by the EVOLVE system which schools can purchase as part of the Service Level Agreement offering.
- Instigate its responsibilities to conduct visits under the radiation protection officer (RPO) duty in schools.

5. Insurance: Performance Update

5.1 Work Completed

5.1.1 During the period, the following key pieces of work/projects have been undertaken:

5.1.2 As previously advised, cyber insurance policies were being considered using the Council's Insurance Brokers. The exercise launched with schools produced a very limited response in appetite, and also to the quotes that were received. However, a policy has now been incepted for one primary school. In addition, and following extensive discussions with the ICT Team, a policy has now been agreed and put in place for similar cover for the Council, albeit on a larger scale.

5.1.3 The Team have spent a considerable time on preparation for the upcoming renewal of insurances for the Council and associated subsidiary companies (Sefton New Directions, Sandway Homes and Sefton Hospitality Operations Limited). After collaborating with all service areas and senior management proposal forms have been completed and sent to Brokers in order that they can present insurers views on cover, rates, and premiums prior to the renewal date of 29 September 2024. The current insurance market, in part, remains challenging with insurers focused on technical prices to ensure profitability over market share with varying appetites or risks. This is apparent in terms already received in relation to the Material Damage policy where indexation of sums insured have increased by 5%, and, as indicated in the 2023 Tender exercise, ratings will increase by 12.5% which in turn creates higher premiums. The Team will ensure that any further proposed adverse increases in other policy renewal premiums are challenged appropriately with, and via, the Council's Brokers and will report further in the next update.

5.1.4 The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans, the Council's liability insurance solicitor, to act in the Council's best interest and provide litigation support for appropriate claims.

Since the last update, Weightmans have been successful at court on two occasions involving Highways slip/trip/fall claims. In the first matter, although the claim was dismissed by the Judge as he felt that the claimant was mistaken on the locus of the where the incident occurred. Although the Council are required to pay their own costs in this matter of approximately £9k, it is pleasing to see that the success provided cost avoidance of £34k which had been reserved against damages and costs for the claimant.

The second success was due to inconsistencies in the claimant's account of where the fall actually took place, and on this occasion the reserve had been set at £20k. An order was made for the claimant to pay the Council's costs in this matter.

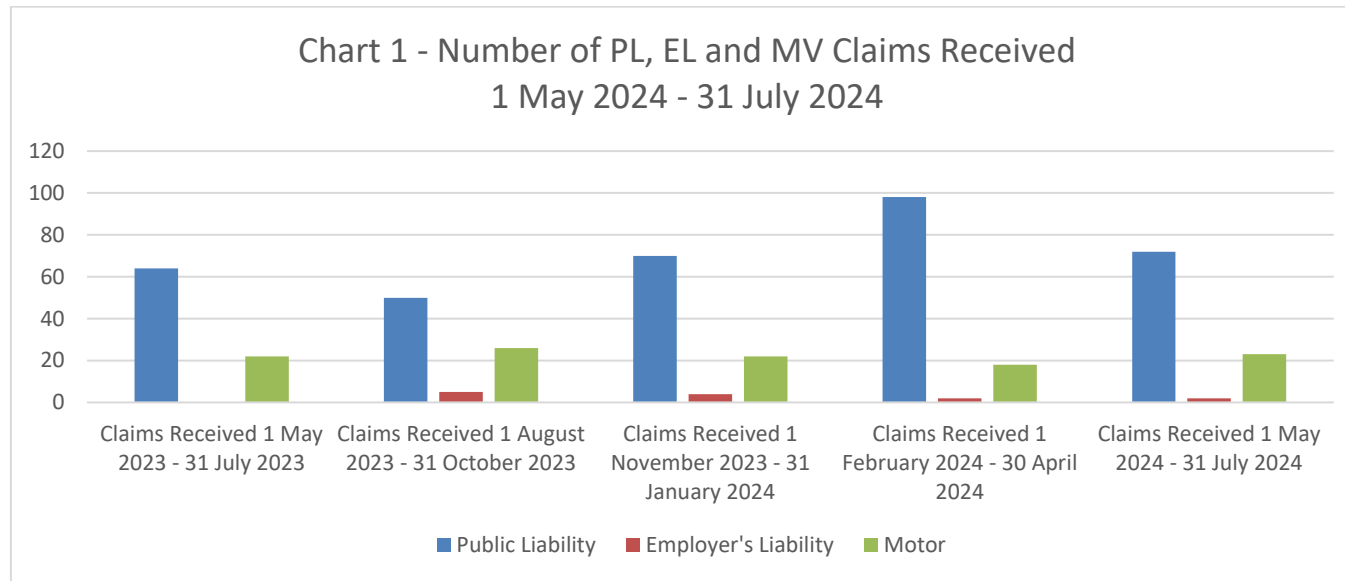
5.1.5 The Insurance Team, where necessary, will continue to work with service areas to improve the management of insurable risk especially in areas where there are high numbers of claims or areas of concern. The Council generally has high defensibility rates, and such risk management activity will assist in maintaining and potentially improving the position further. The Team are currently working with Highways colleagues in relation to the inspection and risk management of Council car parks.

5.2 Key Claims Data

5.2.1 The following charts outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and Motor (MV) received by Sefton Council for the period 1 May 2023 to 31 July 2024.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 May 2023 to 31 July 2024.
- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 May 2023 to 31 July 2024.

Chart 1 below outlines the number of claims for PL, EL and MV received for the period 1 May 2023 to 31 July 2024.

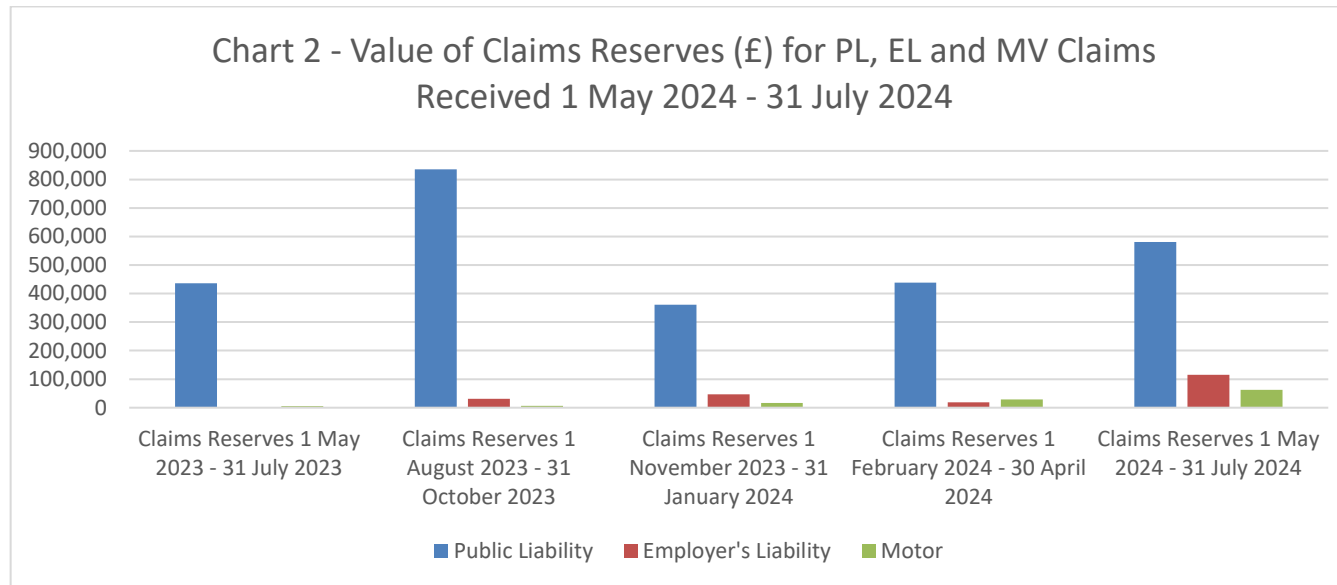


- 5.2.2 The number of PL claims has decreased by 27% since the peak of the last quarter however has increased by 13% since the first quarter. Personal injury claims represent 53% of the claims received with the remainder being third party property damage. Claims for the Highways service area represent 75% of the overall claims received with 52% of these relating to personal injury and 48% to property damage. Claims received for property damage allegedly caused by tree root ingress represents 7% of the overall number received.
- 5.2.3 EL claim numbers remain low, and consistent in number with the previous quarter.
- 5.2.4 The number of MV claims has increased by 28% from the last quarter and is the second highest of the overall period. The number received this quarter however represents a decrease of 12% from the second quarter which has the highest number in the overall reporting period. Overall, own damage claims count for 48% of the claims received with the remainder being for damage occasioned to third party vehicles. No injury claims have been received. As would be expected, due to the size of

the fleet, the Waste and Cleansing service area account for 57% of the claims received with the Specialist Transport Unit being the second highest at 17%.

5.2.5 The current profile in all three areas presents no cause for concern however claim numbers will be monitored for any changes in trend.

Chart 2 below outlines the value of the reserves for PL, EL and MV claims received for the period 1 May 2023 to 31 July 2024.

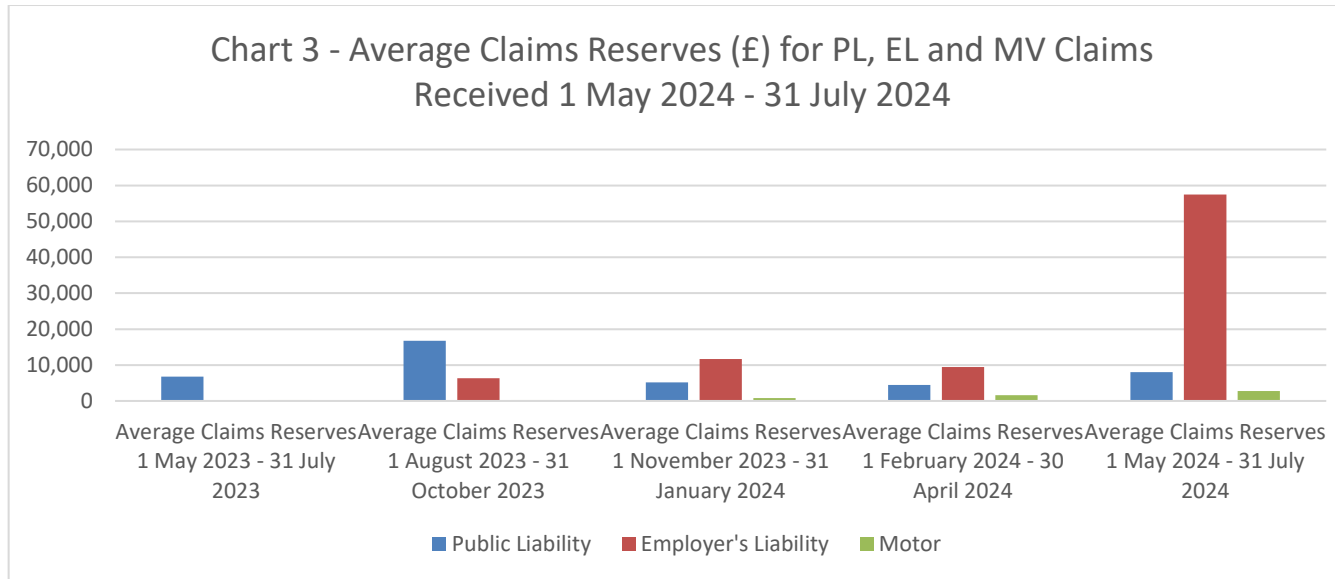


5.2.6 Claim reserves are allocated by the insurers and/or claims handlers independent of the Council and are determined by the type of injury sustained by the third parties and/or damage occasioned to their property.

5.2.7 Despite a decrease in claim numbers, values of PL claim reserves are the second highest of the overall period at an increase of 32% from the last quarter. They do however end in a decrease of 31% from the peak in the second quarter. In addition to the type of third party injury or damage sustained, the reserves also reflect the addition of further claims received in relation to the class action for historical abuse that has been reported previously .

- 5.2.8 Despite claim numbers remaining the same, EL total reserves have seen a seismic increase of 511% from the last quarter to end at the highest of the overall reporting period. Claims handlers have placed a high cautious reserve on one of the claims received due to its infancy and the nature of the alleged incident and injury for which the claimant required surgery. This reserve may be subject to amendment dependent on the contents of further medical reports.
- 5.2.9 Although MV claim numbers have increased by 28% this quarter, claim reserves are the highest of the overall reporting period having increased by a more significant 114% since the previous quarter and 110% since the first quarter. As no injury claims have been received this reflects the repair costs to own fleet and third party vehicles. Of the overall reserve, 54% relates to one incident where two Waste and Cleansing vehicles unfortunately came into contact due to having to avoid a dog running into the pathway of the first vehicle. Following inspection by appointed external engineers, the repair costs have been deemed economical and will be undertaken as soon as possible.

Chart 3 below outlines the average value of the reserves for PL, EL and MV claims for the period 1 May 2023 to 31 July 2024.



- 5.2.10 The average reserve for PL claims shows an increase of 80% since the last quarter, being the second highest of the overall period.
- 5.2.11 The average reserve for EL claims has increased by 511% since the previous quarter and is the highest in the overall period.
- 5.2.12 The average MV claims reserve, which is the highest of the overall reporting period, has increased by 68% from the previous quarter. This has been caused mainly by the receipt of the claim involving two fleet vehicles as mentioned in 5.2.9 above.
- 5.2.13 Trends in claims performance will continue to be monitored.

5.3 Developments

- 5.3.1 It was reported in the previous update following the Roman Catholic Voluntary Aided (RCVA) Schools being brought into the Council's insurance portfolio that the Team were in contact with the Schools and the Catholic Insurance Service (CIS) to gain assurance on valuations and subsequent adequate indexing of the sums insured. Unfortunately, that assurance was not adequately provided by the CIS and the Team therefore engaged with the Archdiocese (the responsible body to insure, as included in the Schools Standard Framework 1998) and provided them with a number of options to consider. It was subsequently agreed that the Council would arrange on site valuations and recharge the costs to Schools over a two year period. Although there are a total of 25 RCVA Schools, only 20 will be valued as five are proposing to convert to academy status later this year when Council insurance coverage will cease and will therefore not form part of this exercise. It is hoped that the valuations will take place with the Council's preferred supplier as soon as possible following the start of the new school year in September 2024. Schools have also been asked to review their contents values and report back to the Team with any amended total values. Progress will be provided in future updates.
- 5.3.2 The class action claim previously reported has now received additional historical claims of abuse bringing the total in number to 65. The Chief Legal and Democratic Officer continues to liaise with the Council's solicitors and Counsel and although only a total of 16 claims have been settled to date, further interim third party costs have now been negotiated. Discussions will continue as seen appropriate by Weightmans and any progress will be provided in future updates.
- 5.3.3 As the Council continues to change and commercialism develops, discussions will continue with the Insurance Broker to ensure that all new risks/liabilities to the Council are identified, and, if required, relevant insurance cover is sourced and procured to provide appropriate protection.

- 5.3.4 The Team, and the Risk & Audit Team in general, will continue to make use of the allocation of free of charge risk management days made available as part of the liability, material damage and motor insurance contracts. These are utilised to provide service areas with training or advice for their specific roles and to strengthen areas of the Council where relevant. Whilst the current year's days have already been utilised, further days will become available once the new insurance year commences on 29 September 2024.
- 5.3.5 To build on the already strong relationships forged, and to ensure the smooth running of all relevant contracts to provide value for money, regular meetings continue with external suppliers to the Team – Brokers, Insurers, Claims Handlers, and Solicitors. Attendance at webinars will also be accepted where content is relevant and of interest to the Team and the organisation as whole.

6. Risk and Resilience: Performance Update

6.1 Work Completed

- 6.1.1 The Risk and Resilience Team (Team) continue to ensure progressive development across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan for each portfolio area has been produced for the forthcoming year.
- 6.1.2 The re-structure of the Risk and Audit Team has provided an additional part-time resource for the Risk and Resilience Team as the previous Trainee ICT Auditor has now moved into the role of Risk and Resilience Support Officer.
- 6.1.3 The Emergency Planning function of the Team is delivered at both singular organisation (Council) and multi-agency (local resilience forum) levels. Both officers of the Team remain fully engaged with the planning, preparedness, response, recovery training and exercise activities of both the Council and partner agencies of the Merseyside Resilience Forum (MRF). Sefton's Risk and Resilience Team maintain strong working relationships and quarterly attendance at all ten subgroups to fulfil participation in the planning and delivery of multi-agency activities and ensure continuation of partnership links.
- 6.1.4 A training event for the Crisis Response Team (CRT) is being planned. The CRT volunteer to support the council's response to a civil emergency in a variety of ways. The team has recently been expanded through recruitment and an in-person event will be organised for all members to meet and discuss the roles in Autumn 2024.
- 6.1.5 The team attended the event planning group for Southport Air Show which was held in July 2024. A contingency plan was produced to support the regular emergency planning arrangements and provide additional internal resource in the event of an incident at the show.
- 6.1.6 The Team are members of Sefton Events Safety Advisory Group (SESAG) and have continued to participate in reviews and meetings with event organisers. The Group meet regularly at this time of year to review the summer calendar of events. As a multi-agency team, they provide advice on the safety of events being held within the borough through consideration of organiser's presentations, event plans and risk assessments submitted and site visits where appropriate.

- 6.1.7 Merseyside Resilience Forum (MRF) have reestablished six monthly meetings to plan for Operation London Bridge. Central Government have issued new guidance, this has prompted a review of Sefton's existing plan to align to new arrangements. A meeting with appropriate colleagues has been arranged to consider the relevance of the original plan.
- 6.1.8 The Team attended a methodology training event for completing the National Security Risk Assessment (NSRA). This document forms the basis of Merseyside Community Risk Register which in turn, directs the workstreams from the MRF on an annual basis. Further sessions will follow throughout the Autumn to review the content of the risk register, the local authorities have responsibility for reviewing specific risks and these will then be presented and updated in November 2024 at a risk assessment workshop day.
- 6.1.9 In September 2023 an MRF multi-agency plan for shoreline pollution was signed off and validated. Following this, a Sefton Council internal contingency plan for the local authority's role in a shoreline pollution clean-up has been developed and is to be circulated internally for consultation with those who contributed to the creation of the plan or are involved in the response to an incident. Next steps will be to share the plan with SLB/ELT and to organise a walkthrough of the plan for validation in the near future.
- 6.1.10 In preparation for forthcoming legislation of Martyn's Law a working group has been established to identify buildings and locations that may be in scope of the proposed standard/advanced tier system. This will advance progress with compliance with the security criteria detailed in the proposed legislation. The group have also started to consider appropriate training sources for managers to roll out to relevant staff. Further work will commence in September 2024.
- 6.1.11 An update of each service area's Business Continuity plan continues to be facilitated by the Team in consultation with the plan owners. The service plans will, in turn, each be fully reviewed by ensuring the information captured at team level and included in the Business Impact Analysis documents is up to date.
- 6.1.12 A member of the team attended a Cyber Exercise to test the Council's response to a cyber-attack. The session was hosted by the Senior Manager for ICT and Digital and colleagues from Agilisys. As a result of the exercise, it was realised that further work needs to be done to make ICT considerations included in Service BC plans more robust.
- 6.1.13 Work has begun to source a Business Continuity consultant to deliver a bespoke BC exercise for the Senior Leadership Team. An exercise of this nature is held annually to promote awareness and good practice for the Council's response to disruption of its priority business activities.

- 6.1.14 Following a scoping meeting, the Business Continuity Plan for Children’s Social Care is being updated. The leadership team within CSC continues to review content and will feedback to progress the plan further.
- 6.1.15 The Risk Management review by Gallagher Bassett produced a report which was analysed by the Team and the Chief Internal Auditor. A response to the report has been drafted and has currently been shared with the Executive Director for Corporate Services and Commercial for consideration and next steps.
- 6.1.16 A recommendation of the Gallagher Bassett report related to the content of the Corporate Risk Management Handbook (CRMH). Easier to complete actions from the recommendations have been actioned and an updated version of the CRMH was approved by Audit and Governance Committee in June 2024 and now published on the Council’s intranet.
- 6.1.17 The Team provide a resource page for schools on the SLA Online platform. The resource content has been revised following the updates to the risk management materials.
- 6.1.18 The eLearning course “Risk Management for Staff and Members” has been finalised and is available on the Me Learning platform. The course is publicised on our intranet homepage and through the Managers Briefing and One Council brief. All elected members have been notified of the course and given a link to access through an email shared by Democratic Services. Course take up rates will be monitored and reported to ELT and Audit and Governance Committee in the future.
- 6.1.19 Following work by the Team to introduce and inform of a Risk Appetite Framework, Democratic Services have launched a revised Committee meeting header sheet and Leader note which includes consideration of risk and risk appetite.
- 6.1.20 The Team offered to support the reviews of all Service and Operational Risk Registers during the quarter. The take up for this was greatly received and the team attended DMTs/SMTs for several service areas to discuss the importance of formal risk recording and encouraged ways to improve content.
- 6.1.21 A phase approach has been agreed with The Executive Director for Children’s Services to introduce Operational Risk Registers (ORRs) across all teams within the service. This will ensure alignment to the Council’s Corporate Risk Management Framework. Work began in December with the first two teams and varying progress has been made to draft and develop the ORRs with managers from each team. Due to the number of ORRs to be completed within Children’s Social Care, a stepped plan to undertake work with a couple of teams each cycle will be adopted, and further teams brought on board each quarter.

6.1.22 Both Risk and Resilience Officers have been nominated to complete Procurement Act 2023 Training, delivered by The Government Commercial College. The training consists of ten hour long modules of learning and a certification module to confirm competence. The training has to be completed before the launch of the Act on 28 October 2024.

6.2 Developments

- Following the tragic events in Southport on 29 July 2024, the team have supported the Emergency Duty Co-ordinator to establish an appropriate response to the incident, working in partnership at a multi-agency level.
- Major incident plans and processes will continue to be reviewed and updated as necessary or following learning from any incidents.
- Reintroduce quarterly Emergency Duty Coordinator (EDC) briefings to increase knowledge and awareness of EP arrangements.
- Review and formalise an internal Incident debrief process.
- Continued engagement and proportionate preparation for introduction of Martyn's Law and associated workstreams.
- The Team have Shoreline Pollution training in early October 2024 for understanding how to manage a beach clean-up operation and will attend a two day beach supervisor course with multi-agency partners and relevant council colleagues
- Ongoing review of the business continuity plans with particular focus on supporting the updating of Business Impact Analyses.
- Working with the Executive Leadership Team to refine the priority activities within the Corporate Business Continuity Plan
- Further development of risk registers from all teams/services, including a qualitative exercise to ensure escalation of risks from Service Risk Registers to the Corporate Risk Register where appropriate.

7. Assurance and Counter Fraud: Performance Update

7.1 Work Completed

- 7.1.1 Previous reports to Committee have highlighted that due to the retirement of a previous counter fraud resource and the recruitment freeze instigated across the Council for 2022/23 and 2022/24 there has been limited dedicated resources on counter fraud.
- 7.1.2 Permission to undertake a re-structure of the Risk and Audit Team was provided in advance of the 2024/25 financial year. The re-structure was completed in June 2024 which created a new one FTE Counter Fraud Investigator which an existing staff member was appointed to. The new role started with effect from 1 July 2024.

Since the restructure of the team and the post holder being in post the following activity has been undertaken:

- An action plan has been drawn up to implement the outstanding actions from the CIPFA Fraud self-assessment.
- A draft Counter Fraud Strategy has been developed and will be presented to ELT/ Cabinet Member and Cabinet over the next three months.
- Research on a sanctions policy has been undertaken with Legal Services
- A benchmarking exercise on counter fraud resources, qualifications and target outputs has been undertaken across North West Local Authority “Heads of Internal Audit”.
- Evaluation of the benchmarking exercise to determine proposals on resourcing for Counter Fraud and qualifications for the Counter Fraud Investigator has been shared with management.
- Training resources from a neighbouring local authority have been evaluated by both the team and Workforce Learning colleagues. We have used this free resource to set up two fraud awareness eLearning courses:
 - Introduction to fraud and
 - Introduction to Bribery and Corruption
- A Fraud Reporting form and mailbox has been set up to assist staff in reporting any suspected fraud.
- Requests for completion of Fraud Risk Assessments has been provided to all Assistant Directors and the wholly owned companies. We have had documents from the majority of the Assistant Directors or a timescale when they have been completed and are following up the outstanding areas.
- We have worked with colleagues in HR to incorporate counter fraud as a topic in the induction process and promote the fraud related eLearning training courses found in the Me Learning library.
- We have worked with Communications team to advertise the fraud awareness eLearning training.
- We have developed a Communication Plan to raise awareness of counter fraud in the organisation.

7.2 Developments

Now that the Counter Fraud Investigator is in post, the intention is to consider how additional support can be provided from across the Risk and Audit team, in light of the benchmarking, to provide additional capacity.

The focus on the next quarter is to:

- Work with the Communications team to develop a fraud newsletter we can circulate regularly.
- Work with Legal Services and other colleagues to develop a draft Sanctions Policy for consideration by ELT before presentation to Cabinet.
- Obtain the outstanding Fraud Risk Assessments and evaluate the information provided.
- Research and develop a Fraud Risk Register from the completed Fraud Risk Assessments
- Progress the action plan from the CIPFA Self – assessment on fraud.

8. Looking Ahead

- 8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:
- The completion of the re-structure to re-direct resources into Internal Audit, Risk and Resilience and Counter Fraud and undertake recruitment for vacant posts.
 - The embedding of regular risk management reviews across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis. Other work includes the completion of the external review of risk management and the horizon scanning session.
 - Finalising the Assurance Mapping exercise should assist in providing assurance on the key risks affecting the delivery of the Council's strategic objectives.
 - The finalisation of the Risk Appetite Framework inclusion on the Committee header sheets.
 - Continued delivery of the Internal Audit Plans for 2024/25, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
 - Implement the actions from the BC exercise in March 2024, finalising of the Corporate BC plan and finalising the planning for a BC in March 2024.
 - Completion of the review of the Health and Safety Policy, work on developing wider occupational health, safety and wellbeing of staff.
 - Delivering on the service improvement plans for the Risk and Audit Team.

9. Conclusions

- 9.1 Internal Audit has made reasonable progress in the completion of the approved Internal Audit Plan 2024/25 despite the underlying difficulties in recruiting suitable internal audit staff and unplanned absences. There are some further planned recruitment and current absences which may impact on the delivery of the audit plan.
- 9.2 The Council's accident record continues to be positive, although reported incidents remain below expected and there are plans to improve the risk management further by working with colleagues across the organisation with improved training offer.
- 9.3 The Health and Safety team is continuing to focus on incident reporting, review of risk assessments and the review of event management.
- 9.4 The Council's insurance claims performance remains good.
- 9.5 We will continue to ensure that there are risk registers are in place in line with the Corporate Risk Management Handbook.
- 9.6 Progress has been made in embedding business continuity with a focus this year of reviewing the existing BC plans clear road map for the completion of the outstanding business continuity plans shortly and a focus over the remainder of the financial year at testing and exercising the BC plans.
- 9.7 We have developed improvement places across each of the service areas to deliver improvements which will result in improved risk services as well as an integrated risk and audit approach.

Report Title: Treasury Management Outturn 2023/24 and Position to July 2024

Date of meeting:	Wednesday 04 September 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All wards		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

This outturn report provides Members with a review of the Treasury Management activities undertaken during 2023/24 and an update to 31 July 2024. Audit & Governance Committee receives this outturn report to allow monitoring against the Treasury Management Policy & Strategy and Prudential Indicators approved by Cabinet and Council in March 2023.

Recommendation(s):

Members are requested to note the Treasury Management position during 2023/24 and the update to 31 July 2024, to review the effects of decisions taken in pursuit of the Treasury Management Strategy and to consider the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities.

The Rationale and Evidence for the Recommendations

1. Introduction

1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. The Prudential Code details a number of measures / limits / parameters (Prudential Indicators) that, to comply with legislation, must be set in respect of each financial year to ensure that the Council is acting prudently and that its capital expenditure proposals are affordable.

Agenda Item 6

- 1.2. A requirement of the Prudential Code is the reporting to Cabinet and Full Council of the outturn position of indicators following the end of the financial year. In accordance with this requirement, this report outlines the 2023/24 outturn for the following Prudential Indicators:-
- i. Capital Expenditure (Section 2);
 - ii. Capital Financing Requirement (Section 3.1);
 - iii. Gross Debt and the CFR (Section 3.2);
 - iv. Borrowing Limits (Section 3.3);
 - v. Financing Costs as a proportion of Net Revenue Stream (Section 3.4);
 - vi. Debt Maturity Profile (Section 5);
 - vii. Liability Benchmark (Section 6);
 - viii. Treasury Management Indicators (Section 7).

- 1.3. The Treasury Management Policy and Strategy Statements are agreed annually by the Council as part of the budget process. A requirement of the Policy Statement is the reporting to Cabinet and Full Council of the results of the Council's treasury management activities in the previous year. Treasury management in this context is defined as:

'The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

- 1.4. In accordance with the above this report outlines the results of treasury management activities undertaken in 2023/24 covering the following issues:

- borrowing strategy and practice
- compliance with Treasury Limits
- compliance with Prudential Indicators
- investment strategy and practice.

- 1.5. The results of treasury management activities in 2023/24 are reflected in the net expenditure on Capital Financing Costs included within the Council's Revenue Budget. The Capital Programme is also agreed annually as part of the budget process. It sets out the anticipated capital expenditure to be incurred within the year.

2. Capital Expenditure

- 2.1. The original estimate for 2023/24 expenditure together with the actual capital expenditure calculated on an accruals basis for the financial year is as follows:

	Estimate £m	Actual £m
Capital Expenditure	76.543	40.937

- 2.2. Capital expenditure in 2023/24 was £35.606m less than the original estimate reported in March 2023. The Council has therefore remained within the limits for expenditure set at the start of the year. The variation is due to the phasing of capital budgets and grant allocations to future years. These adjustments were approved by Cabinet and Council as part of the monthly budget monitoring for the capital programme during 2023/24.

- 2.3. A full report on capital expenditure and the out-turn position for 2023/24 can be found in the separate Financial and Corporate Performance report also presented at this meeting.

3. The Council's Overall Borrowing Need

3.1. Capital Financing Requirement

3.1.1. The Capital Financing Requirement (CFR) reflects the Authority's underlying need to borrow for capital purposes and is based on historic capital financing decisions and the borrowing requirement arising from the financing of actual capital expenditure incurred in 2023/24.

3.1.2. The Council is currently internally borrowed (see 4.4 below) meaning it temporarily uses its own cash balances to fund some capital schemes instead of external borrowing, a strategy which saves the cost of interest payments on loans.

3.1.3. The actual level of Capital Financing Requirement as at 31 March 2024 compared to the initial estimate for 2023/24 is as follows:

	Estimate £m	Actual £m
Capital Financing Requirement	236.071	229.451

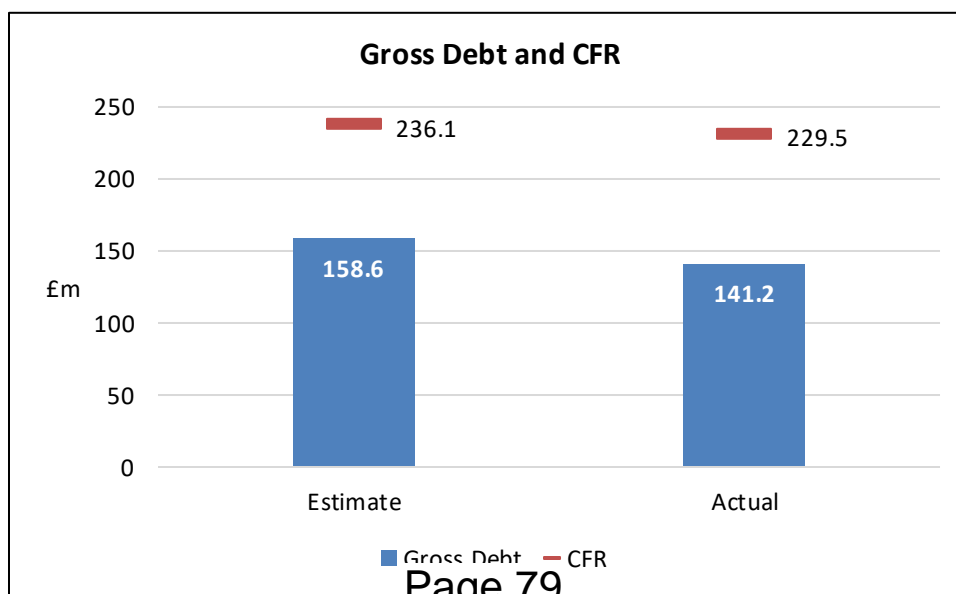
3.1.4. As mentioned in paragraph 2.2 (above), the level of capital expenditure for 2023/24 was less than anticipated and therefore the requirement for the financing of this expenditure from borrowing is also lower.

3.2. Gross Debt and the CFR

3.2.1. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key factor of prudence:

"In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

3.2.2. In the report to Cabinet and Council in March 2023, it was stated that the Authority would comply with this requirement in 2023/24. During the financial year, gross external borrowing did not exceed the total of the Capital Financing Requirement. The chart below shows the out-turn position compared to the CFR and a comparison with the original



Agenda Item 6

estimate:

3.2.3. The actual level of borrowing at year end was significantly lower than anticipated compared to the original estimate for the year. As mentioned previously, the Council is currently internally borrowed meaning it will take the opportunity where prudent to use its own cash balances instead of external borrowing, a strategy which has continued throughout 2023/24 financial year.

3.3. Borrowing Limits

	2023/24 £m
Authorised limit	190.000
Operational boundary	165.000
Maximum Gross Borrowing Position	143.969

3.3.1. The Operational Boundary sets a boundary on the total amount of long term borrowing that the Council is estimated to enter into. It reflects an estimate of the Authority's current commitments, existing capital expenditure plans, and is consistent with its approved Treasury Management Policy Statement and practices.

3.3.2. The Authorised Limit sets a limit on the amount of external borrowing (both short and long term) that the Council can enter into. It uses the Operational Boundary as its base but also includes additional headroom to allow for exceptional cash movements.

3.3.3. The Maximum Gross Borrowing Position shows the highest level of actual borrowing undertaken during 2023/24 financial year. This level remained within the Operational Boundary and did not exceed the Authorised limit.

3.4. Financing Costs as a Proportion of Net Revenue Stream

3.4.1. This indicator measures the financing costs of capital expenditure as a proportion of the net resource expenditure of the General Fund.

	Estimate 2023/24	Actual 2023/24
Financing Costs / Net Revenue	5.7%	5.3%

3.4.2. The overall ratio is lower than the original estimate by 0.4%. The financing costs for the repayment of debt was lower than originally forecast as a result of less borrowing being undertaken for the capital programme due to the phasing of capital projects. The net revenue stream for 2023/24 was also higher by comparison hence the reduced ratio. The Council's debt therefore remained within affordable levels.

4. Borrowing Strategy and Practice

4.1. The Council's debt portfolio at the 31st March 2024 and a comparison to the position at the end of last financial year is summarised as follows:

Agenda Item 6

Actual Debt Outstanding	31st March 2023 £m	31st March 2024 £m
Public Works Loans Board	133.694	136.778
Other Long-Term Liabilities	5.497	4.415
TOTAL	139.191	141.194

4.2. The category of other long-term liabilities represents transferred debt from the Merseyside Residuary Body (£0.438m) and finance lease liabilities (£3.978m).

4.3. The Council's PWLB debt activity during 2023/24 is summarised in the following table:

Movement in Year	Actual £m
PWLB opening debt 1 st April 2023	133.694
Less principal repayments	(11.916)
Add new borrowing	15.000
Closing PWLB debt 31st March 2024	136.778

4.4. The Council's PWLB borrowing as at 1st April 2023, plus other long-term liabilities, was £139m, as against an actual CFR of £231m. This means that the Council had, through previous borrowing decisions, opted not to take out external loans for a further £92m which would take the borrowing level to the level of the CFR. This strategy is described as being internally borrowed which has the advantage of reducing exposure to interest rate and credit risk. To be internally borrowed is a conscious decision to use cash balances to fund capital expenditure, rather than borrow from the PWLB. This position can be reversed at any time by borrowing from the PWLB, or any other appropriate organisation up the level set by the Authorised Limit. The new borrowing of £15m undertaken in 2023/24 therefore represents borrowing undertaken to replace maturing loans and partially reverse the Council's internal borrowing position to meet ongoing liquidity requirements.

4.5. The average rate of interest on Council loans with the Public Works Loans Board (PWLB) in 2023/24 and a comparison to the previous year is shown below:

	2022/23	2023/24
Average PWLB Interest Rate in Year	3.89%	3.75%

5. Debt Maturity Profile

5.1. This is a profile measuring the amount of borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

Fixed Rate Debt Maturity	Upper Limit	Lower Limit	Actual 31st March 2024
Under 12 months	15%	0%	3%
12 months and within 24 months	20%	0%	7%
24 months and within 5 years	20%	0%	11%

Agenda Item 6

5 years and within 10 years	45%	10%	22%
10 years and within 15 years	45%	10%	19%
15 years and above	50%	30%	38%

5.2. The spread of debt across the various maturity periods shows how the authority has acted prudently and controlled its exposure to refinancing risk by not having overly large amounts of debt concentrated in one period, especially those in the shorter term.

6. Liability Benchmark

6.1. This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

6.2. The table below compares the estimated liability benchmark for 2023/24 with the benchmark calculated at 31 March 2024:

Liability Benchmark	31.03.24 Estimate £m	31.03.24 Actual £m
Loans CFR *	229.7	223.9
Less: Balance sheet resources	-93.1	-110.1
Net loans requirement	136.6	113.8
Plus: Liquidity allowance	10.0	10.0
Liability benchmark	146.6	123.8

* CFR excluding other long-term debt liabilities

6.3. The actual liability benchmark at 31st March 2024 was lower than the estimate calculated for 2023/24. This is due to the phasing of capital schemes funded by borrowing to future years and the availability of balance sheet resources that has allowed the Council to continue its policy of internal borrowing and thus maintain a lower level of external borrowing without taking on additional risk.

6.4. The Council's total external borrowing (excluding long term liabilities) was however, higher when compared to the benchmark at 31st March 2024 by £13m. As outlined in 4.4 (above), additional borrowing of £15m was taken out during 2023/24. This borrowing was undertaken in February when cash balances are temporarily low, and the Council must meet its minimum liquidity requirements in advance of central government grants being received early in the new financial year. A forecast for the next three financial years has been provided in paragraph 14.2 below. As can be seen from the table, the forecast borrowing for 2024/25 is predicted to return back in line with the benchmark.

7. Compliance with Treasury Limits

7.1. The following Treasury Limits were approved by Council during the 2023/24 Budget Setting process:

7.2. Borrowing Limits

	Limit £m	Maximum Borrowing 2023/24 £m
Authorised Borrowing Limit	190.000	143.969
Short Term Borrowing Limit	30.000	0

7.3. Investment Limits

	Upper Limit £m	Maximum Invested 2023/24 £m
Principle sums invested for longer than 365 days	15	5

7.4. The amounts above show the maximum amounts borrowed or invested during the year compared to the limits set. The Council therefore remained within the limits for borrowing and investments set for the year and no short-term borrowing was undertaken.

8. Investment Strategy and Practice

8.1. The Council invests all available cash balances, which includes school balances and the insurance fund, following a policy of obtaining maximum returns whilst minimising risks.

i. **Externally Managed Investments**

No externally managed funds are held.

ii. **Internally Managed Investments**

The Council's available funds during the year averaged £46.38m and were managed internally with advice from our treasury consultants.

8.2. The level of the Council's investments during 2023/24 and comparable figures from the previous year are summarised in the following table:

	2022/23	2023/24
Total Investment of Cash Balances at year end	£31.11m	£16.77m
Average Investment Balance during the year	£91.10m	£46.38m
Average Return on Investments	2.25%	4.93%

8.3. In 2023/24 a weighted average return of 4.93% was achieved. The majority of the funds are invested with major banks and Money Market Funds (MMF's), with the remaining balance of £5m invested with the CCLA Property Fund. The return of 4.93% can be disaggregated into

Agenda Item 6

a return of 4.86% on bank and MMF investments, whilst 5.16% was returned by the CCLA investment.

8.4. Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by September 2023 and remaining unchanged to the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 4.6% and 5.3% by the end of March 2024. The Council's investments have therefore significantly outperformed the target set in the budget as the majority of funds were invested in the short term and increased in line with short term money market rates. The table below shows the outturn position for 2023/24:

Budget Profile	Budget £m	Actual £m	Variance £m
Outturn 2023/24	1.317	2.306	0.989

9. Non-Treasury Investments

9.1. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

9.2. At the end of 2023/24 the Council held £6.030m of investments for service purposes comprised of:

- shareholding in subsidiaries £0.001m
- loans to subsidiaries £6.029m.

9.3. The Council's non-treasury commercial investments at the end of 2023/24 consisted of an investment property portfolio with a Net Book Value of £28.137m which, after deducting maintenance costs, generated a net income of £2.688m, a return of 9.6%, which also contributed to the provision of services.

9.4. Net Income from Commercial and Service Investments to Net Revenue Stream

9.4.1. This indicator measures the proportion of the authority's net revenue stream that is derived from non-treasury investments such as service investments (loans to subsidiaries) and commercial investments (investment properties). The indicator is a measure of the exposure to loss of income should the net return from those investments fall short of the target set in the budget.

	Estimate 2023/24	Actual 2023/24
Commercial and Service Investments / Net Revenue	1.0%	1.2%

9.4.2. As can be seen from the ratios above this is a relatively low percentage of the Council's overall revenue stream indicating that the Council's budget was not overly reliant on commercial and service investment income during 2023/24. The total income from commercial and services investments was higher than forecast and so represented a slightly higher proportion of the revenue stream compared to the estimate.

10. Treasury Position for 2024/25 – Update to 31st July 2024

10.1. Investments held at the 31/07/2024 comprise the following:

Institution	Deposit £m	Rate %	Maturity	Rating
Money Market Funds:				
Aberdeen	2.67	5.16	01.08.24	AAA
Aviva	2.67	5.21	01.08.24	AAA
Blackrock	0.41	5.09	01.08.24	AAA
BNP Paribas	2.67	5.26	01.08.24	AAA
Goldman-Sachs	2.67	5.11	01.08.24	AAA
Invesco	2.67	5.18	01.08.24	AAA
Morgan Stanley	2.67	5.15	01.08.24	AAA
Federated	2.67	5.21	01.08.24	AAA
Insight	2.67	5.21	01.08.24	AAA
Total	21.77			
Property Fund:				
CCLA	5.00	5.32	n/a	n/a
Total	5.00			
TOTAL INVESTMENTS				
	26.77			

10.2. The Authority holds significant invested funds, representing grant income received in advance of expenditure plus balances and reserves held. The cash is initially held in a number of highly liquid Money Market Funds to ensure security of the funds until they are required to be paid out. This approach is consistent with the Council's approved Treasury Management Policy and Strategy for 2024/25. The balance of investments is therefore expected to fall over the coming months as the income is fully expended.

10.3. All of the investments made since April 2024 have been with organisations on the current counterparty list. The maximum level of investment permitted in the Treasury Management Strategy in any one institution, or banking group, is currently £15m. Whilst the maximum should be retained, in light of current economic conditions, a day to day operational maximum of 10% of the total portfolio is currently being imposed for investments. This will spread the risk for the Council but will have a small detrimental impact on the returns the Council will receive in the future. The Council has remained within that boundary during the year. At present, it is not expected that there will be any need to review this limit.

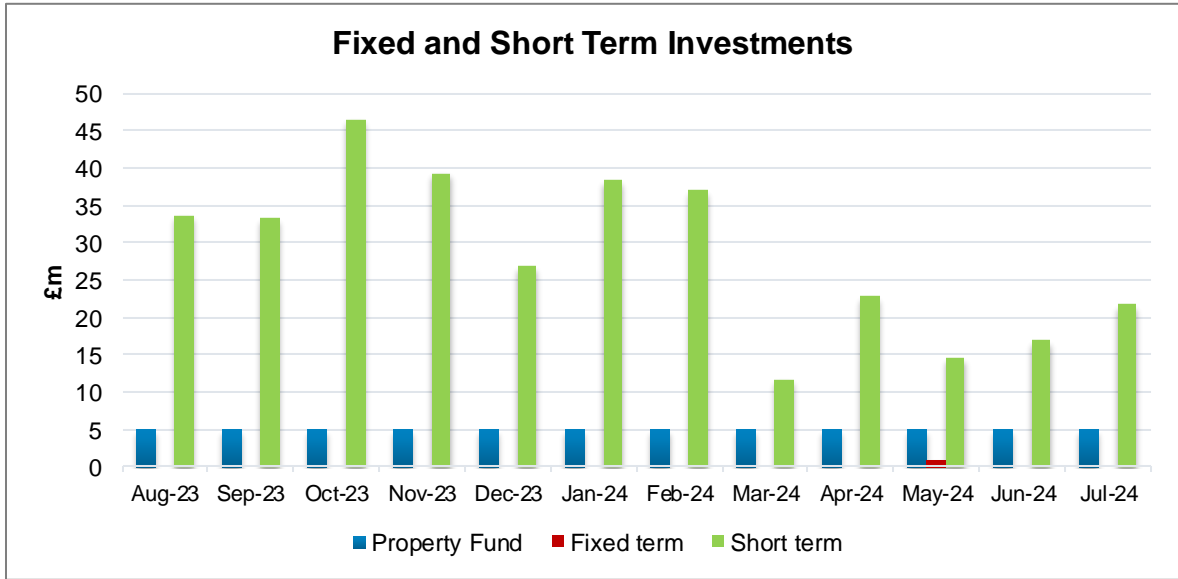
10.4. The Council will only invest in institutions that hold a minimum Fitch rating of A- for banking institutions, or AAA for money market funds. The ratings applied to investment grade institutions, and the much riskier speculative grade institutions, as defined by Fitch, have been placed into a risk matrix (paragraph 10.8).

10.5. An investment has been made with the Church, Charities and Local Authority Investment Fund (CCLA) in June 2014. CCLA invest in commercial property which is rented out to enterprises such as retail units, warehousing, and offices. The majority of properties owned are in the south of the country where the market is often more buoyant than the north. The Council has in effect bought a share of the property portfolio and returns paid are in the region of 4%. This is seen as a long-term investment with the potential for the capital value of the investment to vary as property price

Agenda Item 6

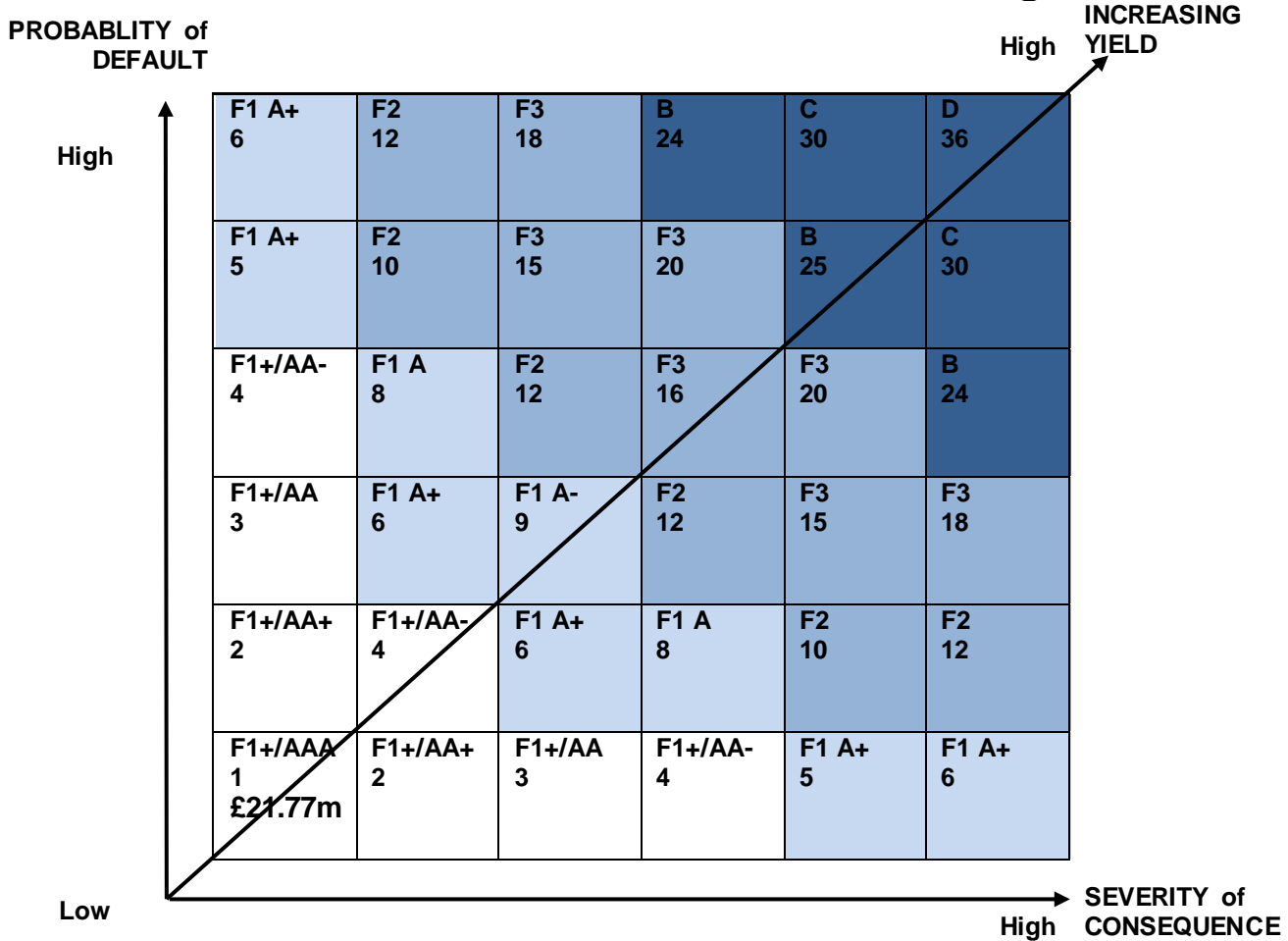
10.6. The Net Asset Value (NAV) of the Property Fund has decreased over a 12-month period to July 2024 from 284.97p per unit to 275.93p per unit, a decrease of 3.2%. The fund is considered to be a long-term investment and fluctuations in value are to be expected with this type of asset. The situation will continue to be monitored closely however, and advice taken from the Council’s treasury advisers should its position in the fund need to be reviewed. The income yield on the Property fund at the end of July 2024 was 5.32% which, is higher than returns received in the past and represents a reasonable return on the Council’s investment.

10.7. The ratio of overnight deposits (short term) to fixed term investments and the property fund is shown below:



10.8. The matrix below shows how the Council has set its risk appetite by being risk averse and putting security and liquidity before yield when investing:

Agenda Item 6



SEFTON RISK TOLERANCE:

Risk Level	Score	Grade	Amount Invested
LOW	1 - 4	Investment Grade	£21.77m
LOW - MEDIUM	5 - 9	Investment Grade	-
MEDIUM	10 - 20	Investment Grade	-
HIGH	21 - 36	Speculative Grade	-

10.9. The Council will continue to maximise any investment opportunities as they arise although it is not envisaged that any substantial increase in returns can be achieved for the remainder of the current financial year as balances available for investment will be held in short term deposits to allow the council to respond to any exceptional demands for cash as they arise. The security and availability of cash will be prioritised over improved yields as per the agreed Treasury Management Strategy and advice received from Sefton's treasury management advisors.

11. Interest Earned

11.1. The actual performance of investments against the profiled budget to the end of July 2024 and the forecast performance of investments against total budget at year end is shown below:

	Budget £m	Actual £m	Variance £m
Jul-24	0.425	0.501	0.076

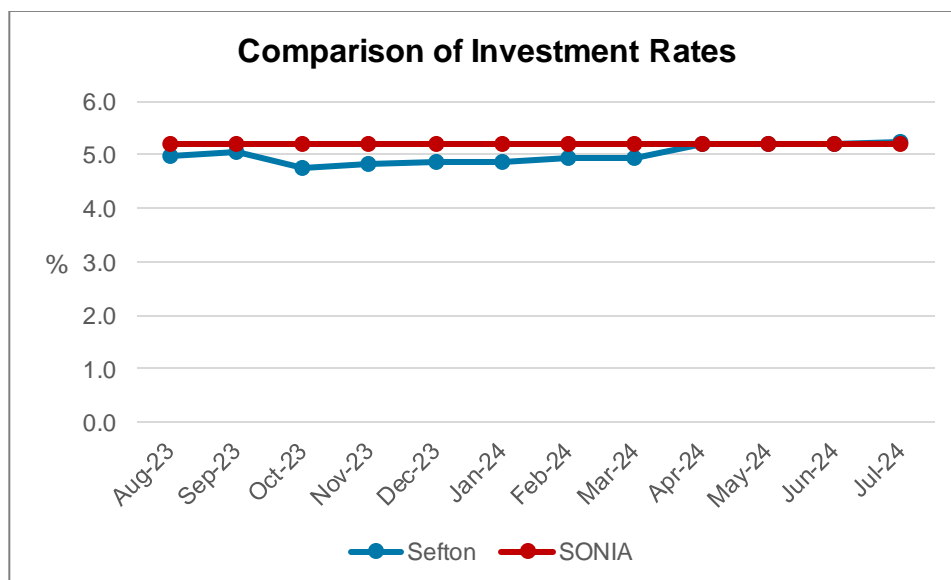
Agenda Item 6

	Budget £m	Forecast £m	Variance £m
Outturn 2024/25	1.343	1.670	0.327

11.2. The forecast outturn for investment income shows the level of income to be above target against the budget for 2024/25. Investment rates have remained at a higher level over the past twelve months (see 11.4. below) when compared to previous years largely in response to rises in interest rates. The budgeted income for 2024/25 has therefore been set at a higher level when compared to previous financial years.

11.3. As mentioned in paragraph 10.9, it is not envisaged that improved rates will lead to a significant increase over and above the current forecast income from investments during 2024/25 as cash balances are diminishing and held in short term deposits.

11.4. The Council has achieved an average rate of return on its investments of 5.20%. The chart below shows the average rate of return plotted against the SONIA benchmark.



11.5. As can be seen from the chart above, Sefton's investments have performed in line with the SONIA to the end of July 2024.

12. Borrowing Strategy

12.1. As outlined in the Treasury Management Strategy approved by Council in February, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

12.2. Interest rates have seen substantial rises over the last two years, although these rises have now plateaued and more recently a cut of 0.25% has been made. The Bank Rate rose by 1% from 4.25% at the beginning of April 2023 to 5.25% by the end of September 2023. The Bank Rate was 3% higher than at the end of September 2022.

Agenda Item 6

12.3. The Council has PWLB loan maturities of £8.846m scheduled during 2024/25 comprising several historic loans. The Council has pursued a strategy of internal borrowing in recent years as per the Treasury Management Strategy approved by Council. Cash balances have therefore been reduced to replace maturing loans where possible and when interest rates on deposits remain lower than PWLB borrowing rates. This position is however, considered temporary and may be reversed at any time in response to the ongoing liquidity needs of the Authority or when exceptional demands for cash may arise.

Impact of the High Needs Deficit:

12.4. Cabinet receives regular reports on the Council's High Needs Budget and the current deficit position that has been increasing over a number of years due to rising demand for provision coupled with a shortfall in funding made available from central government. The deficit position reported to Cabinet on 25 July 2024 was £38m as at the end of 2023/24 financial year. Due to the increased pressure the High Needs Deficit has placed on the availability of cash balances it is now forecast that the Council will need to take out additional external borrowing in 2024/25 to reverse (in part) its internal borrowing position.

12.5. Officers will continue to take advice from the Council's external treasury advisers when undertaking new borrowing in order to ensure borrowing remains prudent and affordable and to minimise the financial impact to the Council.

13. Interest Rate Forecast

13.1. Arlingclose, the Council's treasury advisors, have provide the following interest rate view as at August 2024:

	Current	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00

Underlying assumptions:

- In a 'finely balanced' decision, the Bank of England cut Bank Rate in August by 25bps to 5.00%, in line with the forecast Arlingclose made in September 2023.
- In a 5-4 vote, a majority of MPC members thought inflationary pressures had eased enough to justify a rate cut, while others continued to maintain caution over underlying inflationary persistence and voted for no change.
- Despite the rate cut, the MPC continues to judge that there are upside risks to domestic inflation, which suggests rapid monetary easing in the immediate term is not likely and we have not changed our expected path for Bank Rate.
- CPI inflation stayed at the 2% target in June but the Bank expects this to rise to 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison and reveal more clearly the prevailing persistence of domestic inflationary pressures. Wage growth has fallen but remains elevated and services inflation is higher than had been expected. The actual path of inflationary pressures will be key to the MPC's decision making.
- Following Q1 GDP of 0.7%, UK growth in the first half of the year has been stronger than expected and risks around domestic demand lie to the upside. Stronger economic activity, alongside a higher equilibrium rate of unemployment than assumed, could leave wage growth and inflation persistently higher. Governor Bailey commented that the MPC needs to be careful "not to cut rates too much or too quickly".
- Official ONS Labour market data continues to be unreliable but wider indicators suggest the market is loosening, albeit remaining relatively tight by historic standards. Anecdotal evidence has suggested lower pay growth for some time, and we expect a weaker labour market situation to hasten that outcome.
- We expect that the continuation of restrictive monetary policy will bear down on activity and will require more substantial loosening in 2025 to boost activity.

Agenda Item 6

• Global bond yields will remain volatile and investors' positioning for the timing of US monetary loosening will continue to influence movements in gilt yields. Moreover, there is a heightened risk of fiscal policy, credit events and/or geo-political events causing substantial volatility in yields.

Forecast:

- In line with our forecast, the MPC cut Bank Rate by 0.25% to 5.0% in August.
- The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%.
- Upside risks to inflation remain which could limit the extent of monetary easing.
- Long-term gilt yields have fallen following fears of a US recession. Arlingclose's central case is for yields to be volatile around a relatively narrow range, reflecting the likelihood for monetary policy loosening in the Eurozone, UK and US.

14. Compliance with Treasury Management Limits

14.1. As at the end of July 2024, the Council has operated within the treasury limits for borrowing and investments set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

14.2. The Council also monitors its levels of external debt (excluding long term liabilities) against a prudential indicator for the liability benchmark. The benchmark for 2024/25 and the following two financial years is shown below compared to the Council's forecast level of borrowing:

Liability Benchmark	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
Loans CFR *	229.2	222.3	234.8
Less: Balance sheet resources	-56.1	-30.8	-27.6
Net loans requirement	173.1	191.5	207.2
Plus: Liquidity allowance	10.0	10.0	10.0
Liability benchmark	183.1	201.5	217.2
Forecast Borrowing	163.8	189.5	208.0

* CFR excluding other long-term debt liabilities

14.3. The Council's forecast borrowing has remained broadly in line with the benchmark although this may be exceeded from time to time due to temporary liquidity requirements and where there is a need to reverse the Council's internal borrowing position. As mentioned in 12.4 above, additional borrowing may be required due to exceptional demands from the High Needs deficit and a prudent estimate of this demand has been included above. The level of forecast borrowing will not exceed the Authorised Limit and Operational Boundary for 2024/25 agreed by Council in February.

Financial Implications

A surplus in investment income has been experienced for 2023/24 financial year and is also forecast for 2024/25.

Legal Implications

The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities.

Corporate Risk Implications

Treasury management risks are assessed and managed under the Treasury Management Policy and Strategy and the Treasury Management Practices. Having operated with the limits and parameters set at the beginning of the year, the Council has remained within its agreed risk appetite and there are no additional risk implications to be considered.

Staffing HR Implications

None

Conclusion

The Council has acted in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and has reviewed its Prudential Indicators to comply with legislation and is acting prudently in that its capital expenditure proposals remain affordable.

Alternative Options Considered and Rejected

None.

Equality Implications: There are no equality implications.
Impact on Children and Young People: None.
Climate Emergency Implications: The recommendations within this report will have a neutral impact. The Council has during 2023/24, invested its reserves and balances overnight with either banks or money market funds in order to maintain high security and liquidity of such balances. It has not had the opportunity to invest in longer term financial instruments or investment funds for which there may be a chance to consider the impact on the Council's Climate Emergency motion. In the event that the Council has more surplus balances available in future that may lead to longer term investing, the Council will take account of the climate emergency when discussing the options available with the Treasury Management Advisors.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

Agenda Item 6

The Executive Director of Corporate Services and Commercial (FD7757/24) and the Chief Legal and Democratic Officer (LD5857/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Council's external Treasury Management Advisors: Arlingclose have provided advice with regards to Treasury Management activities undertaken during the financial year.

Implementation Date for the Decision:

Immediately following the meeting.

Contact Officer:	Graham Hussey
Telephone Number:	0151 934 4100
Email Address:	Graham.Hussey@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers to this report

Report Title: Statement of Accounts Update – Local Audit Backlog in England

Date of meeting:	4 September 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All wards		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

This report provides members with an update on the Government’s proposals to deal with the backlog of audits currently being experienced across local authorities in England. It also provides an update on the current position in relation to the audit of Sefton’s Statement of Accounts for 2021/22, 2022/23 and 2023/24 Statement

Recommendation(s):

That Audit and Governance Committee:

- 1) Note the Government proposals to deal with the backlog of audits across local government in England.
- 2) Note the current status of the audits of Sefton’s Statement of Accounts for 2021/22, 2022/23 and 2023/24.

The Rationale and Evidence for the Recommendations

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts prior to their publication.

The deadline for publication of the final approved Statement of Accounts for 2021/22 was 30 November 2022, for 2022/23 was 30 September 2023 and for 2023/24 is 30 September

Agenda Item 7

2024. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains the current position relating to the completion of the audits for these three years.

1. **Background**

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. In 2017/2018 approval and publication of the audited Statement of Accounts was required by 31 July (previously 30 September).
- 1.2 However, since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts has been changed a number of times. For 2019/20 the deadline was extended to 30 November 2020 to take into account the impact of COVID19 on the ability of finance teams and external auditors to complete the work required. For 2020/21 the deadline was extended to 30 September 2021 (from the statutory deadline of 31st July) and for 2021/22 was extended to 30 November 2022 (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market.
- 1.3 The previous Government implemented legislation that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts would be 30 September rather than 31 July (with a deadline of 31 May for the publication of the draft accounts).
- 1.4 Although regulations require the publication of the Statement of Accounts by specific deadlines, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *“as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”*.
- 1.5 Members will recall that an updated Statement of Accounts for 2021/22 was presented at a special meeting of the Committee on 27th September 2023, as were the draft Statement of Accounts for 2022/23. The audit of these two Statement of Accounts has yet to be completed. The draft Statement of Accounts for 2023/24 was presented to the Committee on 19th June 2024.
- 1.6 Members will also recall that proposals had been put forward by the previous Government to try to resolve the issue of numerous local government audits still being outstanding. The new Government has now issued its own proposals to resolve this issue. This report provides an overview of these proposals, as well as an update on how this will impact on the approval of Sefton’s outstanding audits for 2021/22 and 2022/23, as well as the current audit for 2023/24.

Agenda Item 7

2. Action to Tackle Local Audit Backlog in England

2.1 On 30th July 2024, the Minister of State for Housing, Communities and Local Government issued a written statement to Parliament announcing a number of actions to tackle the backlog of outstanding audits relating to local government bodies. It is expected that after the deadline for the audit of the 2023/24 audit has passed (30th September 2024) there will be nearly 1,000 local authority audits outstanding across numerous years.

2.2 The Minister expects to introduce secondary legislation when parliamentary time allows to introduce the following measures:

- A backstop date of 13th December 2024 for all audits to be finalised for 2022/23 and prior years.
- Additional backstop dates for subsequent years until 2027/28 as per the table below.

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- For 2024/25 to 2027/28 the date by which draft Statement of Accounts are required to be published will move from 31st May to 30th June.

2.3 It is expected that the introduction of backstop dates will mean that for a significant number of audits up to 2022/23 auditors will need to issue a “disclaimed” (no assurance) opinion. In addition, given auditors to some extent have to rely on audits from previous years, audits will still need to issue “disclaimed” opinions in later years. The Government expects that “disclaimed” opinions driven by the backstop dates (i.e. auditors don’t have enough time to gain assurance) will probably only be required in 2023/24 and 2024/25. However, given the reliance on audits in previous years, it’s possible “disclaimed” opinions will be required in later years.

2.4 These “disclaimed” opinions may take different forms, given the different circumstances that may apply. The Government intend to work with various bodies, including the Financial Reporting Council, to ensure that stakeholders fully understand what the different types of modified opinions mean. The Minister stated that local bodies should not be unfairly judged on modified opinions because of the introduction of backstop dates. Auditors will be expected to clearly set out the reasons for issuing modified opinions to mitigate the potential reputational risk that local bodies may face.

2.5 The Minister stated that issuing a disclaimed or modified audit opinion and a subsequent return to being able to fully complete audits will require differing levels of work by auditors. The Public Sector Audit Appointments Ltd (PSAA) will set scale fees and determine fee variations where the auditor undertakes substantially more or less work than assumed by the scale fee and will consult with bodies where appropriate. Where an auditor has acted in good faith, and undertaken work in line with the Code of Audit Practice in place at the time, then the fee will be due, even if a modified or “disclaimed” opinion has been issued. Conversely, if in issuing a modified or “disclaimed” audit opinion the auditor has undertaken less work than would normally be expected then the fee will be reduced accordingly.

Agenda Item 7

- 3. Current Position on the Completion of the Audit of the Statement of Accounts 2021/22**
 - 3.1 Committee on 27th September 2023 approved the 2021/22 Statement of Accounts, subject to the final completion of the audit. However, since that approval the audit of the Statement of Accounts for 2021/22 has largely been in abeyance. EY, the external auditor for 2021/22, are currently considering the measures announced by the Government and how that will impact on providing an audit opinion by the backstop date of 13th December 2023. A representative from EY will attend this meeting to update Members on this latest position.
 - 3.2 It should be noted that the vast majority of the audit had been completed when Committee approved the Statement of Accounts for 2021/22 in September 2023. However, a “disclaimed” opinion relating to the Statement of Accounts will still need to be issued. It should be noted that an unqualified opinion on the Council’s Value for Money arrangements in 2021/22 is expected to be issued.
 - 3.3 As approved by the Committee on 27th September 2023, the final updated Statement of Accounts for 2021/22 can be approved by the Chair under delegated authority, as can a revised Letter of Representation.
 - 3.4 Once the audit opinion has been issued, the final Statement of Accounts for 2021/22 will be presented to the Committee in December 2024.
- 4. Current Position on the Completion of the audit of the Statement of Accounts 2022/23**
 - 4.1 The draft Statement of Accounts for 2022/23 were presented to the Committee on 27 September 2023. The report noted that valuations of the Council’s assets hadn’t yet been finalised, so the impact had yet to be included in the financial statements. In addition a small number of notes hadn’t been completed. The valuations were finalised by late October 2023 and a revised Statement of Accounts, including the impact of the valuations and the missing notes, was published at the beginning of November 2023.
 - 4.2 However, since the updated draft Statement of Accounts for 2022/23 was published in November 2023, the audit of has largely been in abeyance. EY, the external auditor for 2022/23, are currently considering the measures announced by the Government and how that will impact on providing an audit opinion by the backstop date of 13th December 2023. A representative from EY will attend this meeting to update Members on this latest position.
 - 4.3 It should be noted that, unlike for 2021/22, very little audit work has taken place on the Statement of Accounts for 2022/23. A “disclaimed” opinion on the Statement of Accounts will therefore need to be issued. However, an unqualified opinion on the Council’s Value for Money arrangements in 2022/23 is expected to be issued.
 - 4.4 In addition, the Chair doesn’t currently have delegated authority to approve the accounts. The meeting of the Committee on 11th December 2024 is expected to be too late to approve the Statement of Accounts for 2022/23 in time for the backstop date of 13th December 2024 to be met. Therefore, a special meeting may be required in late November 2024. Officers will liaise with EY as to what is required.
- 5. Current Position on the Completion of the audit of the Statement of Accounts 2023/24**

Agenda Item 7

- 5.1 The draft Statement of Accounts were published on 31st May 2024, and considered by the Committee on 19th June 2024.
- 5.2 The Council's external auditors for 2023/24, Grant Thornton, have been undertaking their audit since early June and have made significant progress. It is anticipated that an updated Statement of Accounts for 2023/24, including all issues identified during the audit so far, will be presented to the special meeting of the Committee on 25th September 2024.
- 5.3 A representative from Grant Thornton will attend this meeting to update Members on the latest position (attached as Appendix A is Grant Thornton's Audit Progress Report and Sector Update). It is anticipated that by late September the main areas still to be finalised will relate to valuations and the Council's Group Accounts.
- 5.4 Given that the audit opinions for 2021/22 and 2022/23 won't be issued until nearer the backstop date of 13th December 2024, Grant Thornton won't be in a position to issue their audit opinion on 2023/24 until early 2025 in advance of the backstop date of 28th February. A "disclaimed" opinion will need to be issued due to the assurance not being available of previous years' audits.
- 5.5 A further special meeting of the Committee will need to be arranged in early February 2025 to approve the Statement of Accounts for 2023/24.

Financial Implications

None

Legal Implications

The Accounts and Audit Regulations (2015) will be amended through secondary legislation.

Corporate Risk Implications

The reporting of the Council's financial position each year through the Statement of Accounts, and the subsequent issuing an audit opinion from the Council's external auditor, supports its Financial Sustainability in 2024/25 and future years.

Staffing HR Implications

None

Conclusion

The introduction of measures by the Government will mean that the outstanding audits for 2021/22 and 2022/23 will be finalised by the 13th December 2024. The audit of the Statement of Accounts for 2023/24 will then be finalised in January or February 2024.

Alternative Options Considered and Rejected

None.

Agenda Item 7

Equality Implications:

There are no equality implications.

Impact on Children and Young People:

None.

Climate Emergency Implications:

The recommendations within this report will have a neutral impact.

What consultations have taken place on the proposals and when?**(A) Internal Consultations**

The Executive Director of Corporate Services and Commercial is the author of this report (FD7765/24).

The Chief Legal and Democratic Officer (LD5865/24) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision:

Immediately following the meeting.

Contact Officer:	Paul Reilly
Telephone Number:	0151 934 4106
Email Address:	Paul.Reilly@sefton.gov.uk

Appendices:

The following appendix is attached to this report:

Appendix A - Grant Thornton's Audit Progress Report and Sector Update.

Background Papers:

There are no background papers to this report

This page is intentionally left blank

Sefton Council

Audit progress report and sector updates

August 2024



Contents

Section	Page
Introduction	03
Progress at August 2024	04
Audit Deliverables	06
Sector Update	08

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

Your key Grant Thornton team members are:

Georgia Jones

Key Audit Partner

T 0161 214 6383

E georgia.s.jones@uk.gt.com

Liz Luddington

Senior Manager

T 0161 953 6410

E liz.a.luddington@uk.gt.com

Jobelle Bongato

Assistant Manager

T 0161 214 6364

E jobelle.Bongato@uk.gt.com

This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at August 2024

Financial Statements Audit

Our planning work took place in March and April 2024 and our audit plan was issued in May 2024 for the June Audit Committee.

We started our year-end work on the Financial Statements Audit at the end of June 2024.

Our work is progressing well and we are still intending to bring a draft Audit Findings Report to the 25 September Audit Committee, however we wanted to note the following:

We have not yet received the Group Accounts so have not been able to start any work on the Group figures

We are still waiting for valuation information, the most significant being in respect of the Strand shopping centre, which we may not receive until September 2024

These will inevitably lead to a delay in us being able to finalise our audit work.

Local Audit Backlog

As per the statement made by the Minister of State for Local Government and English Devolution on 30 July 2024, the proposed backstop dates for financial years up-to-and-including 2022/23 is the 13 December 2024.

The Council will need to liaise with their predecessor auditors to understand their timescales as we will not be able to issue our Auditor's report until the previous years' audits have been finalised.

We have included more information on the backlog on page 9.

Value for Money

As reported in June our planning work identified possible risks of significant weakness across two of the three Value for Money themes. These are in respect of Financial Sustainability and Governance. The risks are linked to the medium-term financial sustainability of the Council and the high-needs block deficit as well as the Governance arrangements and insufficient improvement in Children's care following an inadequate Ofsted inspection. Our work continues to progress, although we are waiting for information to be able to finalise our work.

Progress at August 2024 (continued)

Other areas

Certification of claims and returns

We are working on your Teachers Pensions Certification claim and the 23/24 deadline is 29 November 2024.

We will also be working on the certification of your Housing Benefit claim and the deadline is 30 November 2024.

Events

We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Audit Fees

PSAA have published their scale fees for 2023/24 [2023/24 auditor appointments and audit fee scale – PSAA](#) .

For Sefton Council these scale fees are £371,422 for the Council audit although there will be some additional costs for ISA315, external valuation experts and potentially in respect of the impact of a delayed 2021/22 and 2022/23 audit opinion as set out in our audit plan. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Meetings

Since our appointment as auditors of the Council from the audit year 2023/24 we have met with senior officers and the Chair of the Audit Committee.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	June 2024	Delivered
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Governance Committee.</p>	Interim - September 2024 Final - TBC	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	TBC**	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	December 2024	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2024

**We will not be able to issue our auditors report until the previous year's auditors reports have been issued by Ernst & Young

Audit Deliverables

Below are some of the audit related deliverables planned for 2023/24.

2023/24 Audit related deliverables	Planned date*	Status
<p data-bbox="120 533 692 563">Teachers Pensions Scheme – certification</p> <p data-bbox="120 580 1525 644">This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	November 2024	Not yet due
<p data-bbox="120 678 658 708">Housing Benefit Subsidy – certification</p> <p data-bbox="120 718 1480 790">This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	November 2024	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Sector update

Page 108

Audit Backstop - update

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#) This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for 2 years up to 2022/23 are expected to be backstopped and a disclaimer of opinion will be issued by Ernst & Young 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have focused at your audit on the following areas in advance of the backstop

Page 109

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, including the opening cash position as at 1 April 2023

We will continue the process of recovery during 2024/25 and ongoing years.

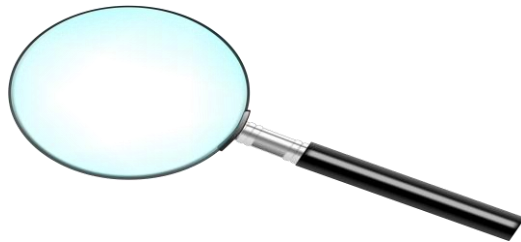
Change of external auditor – how to get the best out of new arrangements

With 2023/24 being the first year of a new five-year PSAA contract for external audit, and the year-end (31 March 2024) having just passed, many Local Authorities will now be starting to work closely with a new incoming external auditor. Audit delays from the past mean that for some Local Authorities, this will be the first close experience of working with an external auditor for several years.

When it works well, external audit can provide management with valuable insight and, at the same time, demonstrate to the public that there has been proper use of, and accounting for, public money. To get the best out of this year's audit though, many Local Authorities will need to take effective steps to close-down the prior year backlog whilst simultaneously ensuring a smooth transition between different external auditors.

A recent Local Government Association “Must know” guide on working with auditors may help with navigating the unique challenges that this year's audit cycle poses. The guide provides an oversight of internal and external audit functions and outlines what to expect from external audit, and when to expect it.

For the full guide, see [Must know guide: Working with auditors | Local Government Association](#).



Working well with a new external auditor

- **Understand the respective responsibilities of the Local Authority and the external auditor.**
- **Be open to early meetings between senior executives and the new external auditor.**
- **Understand that outgoing and incoming external auditors will need time to confer.**
- **Introduce the Head of Internal Audit.**
- **Facilitate introductions for the Audit Committee.**
- **Share the timetable and be clear about how timetable risk will be managed.**
- **Provide a named single point of contact and appropriate supporting resources.**
- **Provide early information around any new projects, including commercial projects.**
- **Provide appropriate access to IT systems and records.**
- **Respond promptly to requests for information.**
- **Ensure that all relevant staff affected by the external audit process understand what to expect and why it is important.**

Local government elections – what do they mean for Audit Committees?

With the 2nd May 2024 local government elections having seen changes at many of the 107 local authorities that took part, for many local authorities it is now time to agree Audit Committee membership at the start of a new municipal year.

Whilst newly elected administrations will inevitably want to focus on new strategic vision and “fixing things”, it will be important to remember to continue to “defend things” and protect the underlying mechanics of effective government as well.

The Audit Committee is one of the key lines of defence for a local authority. Its members oversee governance, risk management, internal and external audit, anti-fraud arrangements, financial reporting and statutory duties.

Following the local elections there may be changes to appointments to the Audit Committee. Experience shows that the Committees are more effective when appointments are non-political; cover a range of relevant skills and experience (including financial expertise); and include at least one independent, co-opted member. Two independent co-opted members is generally considered best practice.

Once appointed, the new Audit Committee will need to build relationships with internal audit, external audit, and senior management. It may also want to review its terms of reference. Training needs of new Audit Committee members will also need to be identified and training provided.

Annual reviews of Audit Committee effectiveness are common, but for the early days, new Committees may wish to make use of the Local Government Association’s April 2024 “Ten Questions” to make sure they start by steering on the right path.

For a full copy of the Local Government Association’s guide, see [Ten questions for audit committees](#).

Ten questions for a newly formed Audit Committee

- How can we be an effective Audit Committee?
- What might we miss as an Audit Committee?
- How will we get assurance for ourselves and others regarding governance, risk management, internal control, and the accuracy of financial reporting?
- What is management doing to ensure there is an effective culture?
- How does management support and promote the role of audit (internal and external)?
- How will management provide us with practical support?
- What is internal audit’s role, scope, and mandate? How should internal audit be resourced?
- How does internal audit set its audit plan? Is internal audit providing assurance around business-critical risks?
- How do we know we have an effective internal audit function?
- How should internal and external auditors work together to complement each other?
- What are the 2-3 things we should be most worried about?

LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

- support councils to understand how to use the components within the framework and how they fit together;
- increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs – of statutory or non-statutory intervention, whether by Oflog, central government or other regulators;
- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.

- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

<https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0>



The State of the Locals

In April, shortly before the recent local government elections, a “State of the Locals” report found that public trust in government at all levels is falling, but that public trust in local councillors and the Local Authorities they run is still almost twice as strong as public trust in the national UK government.

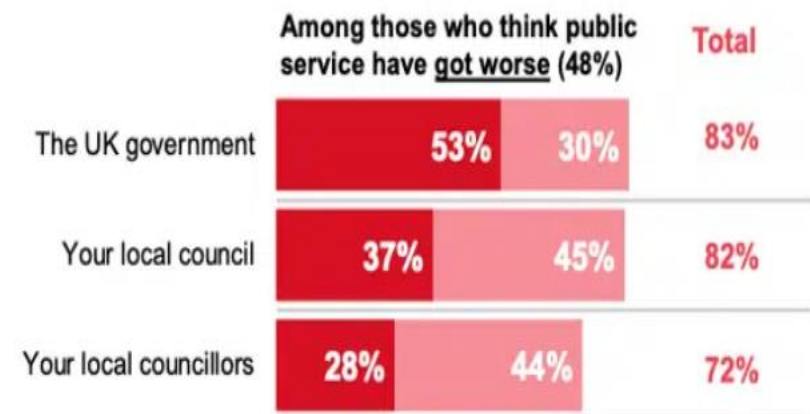
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that Local Authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe Local Authorities play a significant role in this (though not as great a role as the national government); and do not always understand what Local Authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it’s worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see [The State of the Locals 2024 - LGIU](#)

State of the Locals extract: Who do the public think are responsible?



Productivity plans – new guidelines revealed and a note of caution

On 16th April 2024, Local Government Minister Simon Hoare wrote to all Local Authority Chief Executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but Local Authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to be returned to DLUHC by 19th July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the Local Authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

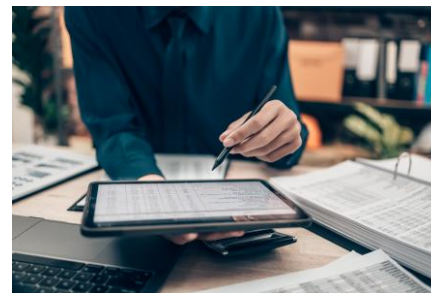
The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most Councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

[Government reveals guidelines for new council 'productivity plans'](https://www.localgovernmentlawyer.co.uk/government-reveals-guidelines-for-new-council-productivity-plans/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))

[Councils cry foul after Oflog data used for Times article on 'worst-performing councils'](https://www.localgovernmentlawyer.co.uk/councils-cry-foul-after-oflog-data-used-for-times-article-on-worst-performing-councils/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))



Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29th April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the “continuing chronic shortage” of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for a sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

- 13% increase in overall initial assessments for homelessness year on year;
- 13.8% increase in households owed a relief duty this year compared to last;
- 15.3% increase in households owed a main homelessness duty;
- 12.1% increase in households in temporary accommodation;
- 15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109 million will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution though, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30th April, Local Authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated ‘hope value’ costs. ‘Hope value’ estimates the cost land could be worth if it was developed on in the future, often meaning that Local Authorities have been forced to pay potentially thousands more to buy the land they need for housing and/ or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

[The Finances and Sustainability of the Social Housing Sector \(parliament.uk\)](https://www.parliament.uk/publications/2024/04/levelling-up-housing-and-communities-committee-report-the-finance-and-sustainability-of-the-social-housing-sector)

For the latest statistics on homelessness and households in temporary accommodation, see [Statutory homelessness in England: October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2023)

For details of the new reform around hope values, see [New powers for councils to help build more affordable homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-powers-for-councils-to-help-build-more-affordable-homes)

Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8th May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to Local Authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as “the hinge around which regeneration actors revolve.” Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see

<https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/>



Simpler Recycling – new rules to be aware of

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9th May 2024 that simpler recycling rules are going to be introduced. Local Authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, Local Authorities need to prepare for:

Page 117
Standardisation:

Local Authorities in England will be required to collect a consistent set of recyclable materials: Plastics; Glass; Metals; Paper and Card; and Food Waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.

A three-bin arrangement:

‘Dry recycling’ items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.

Weekly and fortnightly requirements:

Food waste collection will be required weekly. Local Authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and Local Authorities will need to be ready. Important steps to take now are:

- Review and update the Waste Management Strategy;
- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;
- Explore whether the changes in themselves generate new income opportunities; and
- Assess the readiness of contract delivery partners.

For DEFRA’s comments on the reform, see [Simpler bin collections for England to boost recycling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/simpler-bin-collections-for-england-to-boost-recycling)



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiaa.org/globalassets/documents/resources/the-iaas-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

© 2024 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Audit and Governance Committee Annual Report 2023-2024

Date of meeting:	4 September 2024	12 September 2024	
Report to:	Audit and Governance Committee	Council	
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	(All Wards)		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

To formally present the Annual Report of the Audit and Governance Committee 2023-2024.

Recommendations:

1. Recommendation to the Audit and Governance Committee

To agree and refer the 2023-2024 Annual Report of the Audit and Governance Committee to the Council for approval.

2. Recommendation to the Council

That Council be requested to approve the Annual Report of the Audit and Governance Committee 2023-2024.

1. The Rationale and Evidence for the Recommendations

1.0 Introduction / Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit and Governance Committees states that Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-

Agenda Item 8

level resource to support good governance and strong public financial management.

1.2 The Position Statement also states that:

“The audit committee should be held to account on a regular basis by the group to which it is accountable. For a local authority audit committee, this will be the Council. The aspects that should be specifically considered include:

- Whether the Committee has fulfilled its agreed terms of reference
- Whether the Committee has adopted recommended practice
- Whether the Committee members have been assessed and whether they are accessing briefing and training opportunities
- Whether the Committee has assessed its own effectiveness and been the subject of a review and the conclusions and actions from that review
- What impact the Committee has on the improvement of governance, risk and control within the authority

1.3 Within the Chartered Institute of Public Finance and Accountancy (CIPFA) model Terms of Reference (2018) which the Council adopted in May 2021, there is a requirement to publish an annual report on the work of the committee as well as to report to full council on a regular basis on the committee’s performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

1.4 The proposed requirement stems from good practice to outline an Annual Report of the Audit and Governance Committee to the Council, setting out all the activities/decisions taken by the Committee during that year. The report should as a result enhance the accountability of the Committee and its decision making and good governance.

1.5 The Annual Report of the Audit and Governance Committee outlines the Committee’s work and achievements over the year ending 31 March 2024 and demonstrated to residents and Council stakeholders the important role that is carried out by the Committee and its contribution to the Council’s overall governance arrangements.

2.0 Audit and Governance Committee Terms of Reference and Work Programme

2.1 Following adoption of the model Terms of Reference of the Committee by the Council in May 2021 this is the fourth Audit and Governance Annual Report that has been produced and approved by the Chair of the Committee. The Annual Report, along with the Work Programme of the Committee, was developed further in 2023-2024 to ensure that the Committee remained effective in addressing all elements of the adopted model Terms of Reference.

2.2 Appendix 2 to the Annual Report sets out the Work Programme of the Committee covered in 2023-2024 comprising the schedule of meetings for the Committee and the reports to be considered at each of those meetings.

2.3 The Work Programme for each Municipal Year is an important element of planning the year ahead as it ensures that the Committee remains on target in reviewing the effectiveness of the Committee remains on target in reviewing the effectiveness of the Committee and is effectively monitoring / reviewing the Terms of Reference of the Committee (Appendix 1 to the report). Appendices 1 and 2 work hand-in-hand in that all elements of the Terms of Reference are monitored through the submissions of reports/briefings to the Committee.

3.0 Audit and Governance Committee Self-Assessment

- 3.1 The introduction of a Self-Assessment for the Committee (approved on 15 March 2023) enabled the Members to undertake a high-level review of the function and effectiveness of the Audit and Governance Committee incorporating the key principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Position Statement - [CIPFA Audit Committee Position Statement.pdf](#) and the publication (Practical Guidance for Local Authorities and Police, CIPFA, 2022 - [Audit Committee Practical Guidance 2022.pdf](#)).

A copy of this document can be viewed in the Audit and Governance Committee Library at the following links: [Audit and Governance Committee Self-Assessment 2023/2024 Report Document](#) and [Audit and Governance Committee Self-Assessment 2023-2024](#)

The Self-Assessment Exercise will be undertaken on an annual basis and will inform the Committee's work programme, training and development of Committee Members and the Annual Report.

4.0 Appointment of an Independent Member

- 4.1 The appointment of a co-opted Independent Member to serve on the Audit and Governance Committee is recommended by CIPFA and seen as a positive step.
- 4.2 Ms Rachel Oakes commenced in the role on 1 June 2023.
- 4.3 The Committee requested that the relevant officers start the process of appointing a second Independent Member in March 2024. Officers are liaising with the relevant service areas with a view to appointing towards the end of 2024.

5.0 Member Training and Development Programme

- 5.1 The training and development of Audit and Governance Committee Members is considered essential to ensure they are able to be up-to-date, confident and effective in their role. A programme of briefings based on the key competencies outlined by CIPFA was held throughout 2023-2024 prior to each meeting of the Committee.

2. Financial Implications

There are no direct finance implications arising from this report. Any implications arising from matter referred to in the Annual Report would have been contained in reports when they were presented to Members during the previous year; or will be contained in future reports during the forthcoming year.

3. Legal Implications

There are no direct legal implications arising from this report. Any implications arising from matter referred to in the Annual Report would have been contained in reports when they were presented to Members during the previous year; or will be contained in future reports during the forthcoming year.

4. Corporate Risk Implications

Audit and Governance Committee are regular Page 123 in the Corporate Risk Register.

Agenda Item 8

5 Staffing HR Implications

There are no direct Staffing / HR implications arising from this report. Any implications arising from matter referred to in the Annual Report would have been contained in reports when they were presented to Members during the previous year; or will be contained in future reports during the forthcoming year.

6 Conclusion

To comply with the Terms of Reference of the Committee as set out in Chapter 7 of the Council's Constitution.

Alternative Options Considered and Rejected

No alternative options have been considered – to comply with the formal reporting mechanism.

Equality Implications: There are no equality implications.
Impact on Children and Young People: None
Climate Emergency Implications: The recommendations within this report will have a neutral impact. There are no direct climate implications arising from this report. Any climate implications arising from matter referred to in the Annual Report would have been contained in reports when they were presented to Members during the previous year; or will be contained in future reports during the forthcoming year.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.....) and the Chief Legal and Democratic Officer (LD.....) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not Applicable

Implementation Date for the Decision:

Immediately following the Council meeting.

Contact Officer:	Amy Dyson
Telephone Number:	0151 934 2181
Email Address:	amy.dyson@sefton.gov.uk

Appendices:

The Annual Report of the Audit and Governance Committee 2023 – 2024 is attached as an appendix to this report.

Background Papers:

There are no background papers available for inspection.

This page is intentionally left blank

Audit and Governance Committee Annual Report 2023-2024

**Councillor Dave Robinson
(Chair)**

Introduction by the Chair of the Audit and Governance Committee



Councillor Dave Robinson

Chair of Audit and Governance Committee

It gives me great pleasure to introduce the gives me great pleasure to introduce the 2023-2024 Annual Report of the Audit and Governance Committee.

The report informs the Council of the broad range of work undertaken by the Committee in fulfilling its Terms of Reference and in doing so provides assurances on the effectiveness of the Committee in meeting its obligations. The Committee's Terms of Reference were developed in accordance with the CIPFA guidance and the detailed Committee Work Programme, and Self-Assessment provides further assurances that the Terms of Reference are reviewed. I wish to place on record my appreciation to the Executive Director of Corporate Services and Commercial and his team for all their hard and work and continued support to Audit and Governance Committee members. I look forward to working with Committee members and officers who support the Committee during 2024-2025.

Contents

1.	Background and Introduction	
2.	Meetings held in 2023-2024	
3.	Audit and Governance Committee Work Programme 2023-2024	
4.	Reports considered by the Audit and Governance Committee in accordance with the Work Programme 2023-2024	
5.	Assurance Activity	
6.	Risk Management	
7.	Treasury Management	
8.	Statement of Accounts and External Auditors	
9.	Information Governance/Constitution Updates and other miscellaneous reports falling within the Committee's Terms of Reference	
10.	Audit and Governance Committee Self-Assessment Exercise	
11.	Appointment of an Independent Member	
12.	Audit and Governance Committee Member Training and Development	
13.	Outcomes / Achievements	
14.	Conclusion	

Appendices

1.	Audit and Governance Committee Terms of Reference	
2.	Audit and Governance Committee Work Programme 2023-2024	
3.	Schedule of Member Briefing Sessions for 2023-2024 Municipal Year - based on the CIPFA recommended Core Areas of Knowledge for Audit and Governance Committee Members	

1.0 Background and Introduction

- 1.1 The Audit and Governance Committee has delegated responsibilities from the Council. This report provides details of how the Audit and Governance Committee has discharged those responsibilities and delivered against its Terms of Reference which can be found at Appendix 1 to this report.

1.2 The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment

1.3 The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurances on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations;
- reinforcing the importance and independence on internal and external audit and similar review processes; and
- promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted members and other persons acting in a similar capacity).

2.0 Meetings held in 2023-2024

Meetings of the Audit and Governance Committee are scheduled to take place every three months and in 2023-2024 were held on the following dates:

- 19 July 2023 (Originally scheduled for 21 June 2023)
- 6 September 2023
- 13 December 2023
- 20 March 2024

Additional meetings of the Committee (outside the quarterly schedule) are convened when urgent business needs to be conducted and to enable the Committee to focus its attention on one key area, for example, for consideration of the Council's Statement of Accounts.

Further information on the Audit and Governance Committee Meetings, including agendas and minutes is available at the following link: <https://modgov.sefton.gov.uk/ieListMeetings.aspx?CId=141&Year=0>

3. **Audit and Governance Committee Work Programme 2023-2024**

The Committee's Work Programme is a rolling and flexible schedule of work that should be undertaken by the Committee. The programme is designed to ensure that the Committee remains on track with its ambitious schedule of work.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication - "Practical Guidance for Local Authorities and Police" recommends as good practice, the provision of an annual work programme to enable Audit and Governance Committees to discharge their duties in accordance with their Terms of Reference.

Adherence to the work programme ensures that the Audit and Governance Committee has a structured, consistent approach to fulfilling its responsibilities as detailed in the CIPFA guidance.

The Terms of Reference for the Audit and Governance are based on the Chartered Institute of Public Finance and Accountancy's (CIPFA's) publication – "Practical Guidance for Local Authorities and Police" which sets out CIPFA's guidance on the role, function and operation of audit committees in local authorities and police bodies and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The Terms of Reference have been enhanced to reflect the Committee's Governance role which is not detailed in the guidance.

The Work Programme for each Municipal Year is an important element in planning the year ahead as being closely aligned with the Terms of Reference, it ensures that the Committee has a structured, consistent approach to fulfilling its responsibilities within the Terms of Reference and helps to ensure the effectiveness of the Audit and Governance Committee. It is also important to note that a degree of flexibility is applied in order that any ad hoc / urgent reports may be considered by the Committee as and when required. The Work Plan for the 2023-2024 Municipal Year was approved by Audit and Governance Committee on 15 March 2023 and can be viewed at Appendix 2 to this report.

The introduction of quarterly Work Programme update reports has provided a useful way for the Audit and Governance Committee to monitor adherence to the Work Programme.

4.0 Reports considered by the Audit and Governance Committee in accordance with the Work Programme

As indicated in the Work Programme, reports submitted for consideration by the Audit and Governance Committee related to the following areas:

- Internal Audit
- Risk Management
- Monitor Role
- Accounts, Financial Statements and Treasury Management
- Information Governance/Constitution Updates
- Miscellaneous / Ad hoc reports

4.1 Internal Audit

To support the Committee in monitoring progress of Internal Audit work within the year, the following reports were presented:

Meeting	Report
21 June 2023	Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity
21 June 2023	Annual Opinion of the Chief Internal Auditor including: <ul style="list-style-type: none"> • Review of impairment on independence and objectivity • QAIP

	<ul style="list-style-type: none"> • Assessment against PSIAS and LGAN
6 September 2023	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity
13 December 2023	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity
13 December 2023	<p>Annual report on the follow up of Internal Audit recommendations including those not implemented within a reasonable timescale</p>
20 March 2024	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity
20 March 2024	<p>Approval of the Annual Internal Audit Plan and review of Internal Audit Charter</p>

4.2 Risk Management

The following reports on the management of risk within the Council during the year were presented to the Audit and

Governance Committee:

Meeting	Report
21 June 2023	Review of the Quarterly Corporate Risk Register
6 September 2023	Review of the Quarterly Corporate Risk Register
6 September 2023	Review of the Corporate Risk Management Handbook
13 December 2023	Review of the Quarterly Corporate Risk Register
20 March 2024	Review of the Quarterly Corporate Risk Register

4.3 Monitor Role

Meeting	Report
21 June 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
21 June 2023	Review of CIPFA Financial Management Code
6 September 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
6 September 2023	Review of the Members Code of Conduct
6 September 2023	Review the Annual Governance Statement
6 September 2023	Review of Whistleblowing Policy

6 September 2023	Review of Financial Procedure Rules
13 December 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
13 December 2023	Provide an annual report on the Council's anti-fraud strategy
13 December 2023	Provide an annual report on the Council's Anti-Money Laundering Policy
20 March 2024	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)

4.4 Accounts, Financial Statements & Treasury Management

The following Financial and Treasury Management reports were presented to the Audit and Governance Committee:

Meeting	Report
21 June 2023	External Auditor Annual Audit Letter On completion of the External Audit
21 June 2023	External Auditor Annual Report re. grant work On completion of the External Audit
21 June 2023	Treasury Management In-Year Position
6 September 2023	Treasury Management Outturn
13 December 2023	Treasury Management In-Year Position
20 March 2024	Treasury Management In-Year Position

4.5 Information Governance / Constitution Updates

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

Meeting	Report
6 September 2023	Annual Report of the Audit and Governance Committee 2022-2023
13 December 2023	Financial Procedure Rules
20 March 2024	ICT Acceptable Usage Policy
20 March 2024	Review of Whistleblowing Policy and Review of Whistleblowing Referrals 2022-2023
20 March 2024	Guidance for Council Appointed Directors

4.6 Miscellaneous Reports

The following miscellaneous reports were considered by the Audit and Governance Committee:

Meeting	Report
13 December 2023	Procurement – National Procurement Policy and Contract Procedure Rules

5.0 Assurance Activity 2023-2024

- 5.1 In order for the Committee to draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from several sources.
- 5.2 The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. The Chief Internal Auditor works with Internal Audit to provide assurances for both Members and management on the effectiveness of the control framework.
- 5.3 The Committee received and considered reports in relation to the Annual Report and Opinion of the Chief Internal Auditor that provided a summary of the work of internal audit during 2023-2024 and the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year. This report is a key requirement of the Public Sector Internal Audit Standards.
- 5.4 The Committee also received regular updates in relation to the performance and key activities of the Risk and Audit Service to each Meeting and agreed revisions to the Internal Audit Plan for 2023/2024.

6.0 Risk Management

6.1 Risk Management continues to be a key component to service planning and regular monitoring of the corporate risk register is a vital of the Committee. The Committee routinely received reports in that respect. Throughout 2023-2024 risks had been re-scored in accordance with the assessment guidance included in the Corporate Risk Management handbook. Members welcomed the continuance of the regime of receiving a short presentation from a risk owner on one of the risks listed in the Corporate Risk Register, which provided Members with further insight into risks associated with particular service areas and allowed for a further layer of scrutiny and challenge.

6.2 During 2023-2024 the Committee received the following presentations:

- Service Manager – Property and Building Services on the condition of Sefton Council Assets
- Service Manager – Finance on Financial Sustainability within the Council
- Executive Director of Corporate Resources and Customer Services on SEND and High Needs
- Executive Director of Adult Social Care and Place and the Assistant Director of Life Course Commissioning on the risks associated with the Adult Social Care sector

7.0 Treasury Management

- 7.1 The Audit and Governance Committee has a responsibility to provide a level of scrutiny in relation to treasury management policies and practices, and as such, the Committee considered the treasury management outturn position for the period 2023/2024 which reviewed the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management position along with the treasury management activities undertaken to 31 March 2024.
- 7.2 The Committee also considered quarterly progress reports on the treasury management position and performance against prudential indicators. As a result of the current economic environment the Council's Treasury Management activities took on even greater importance which helped to support the overall budget pressures in 2023/24 – this position was reported to Audit and Governance committee through the year and Council in accordance with the agreed Strategy.

8.0 Statement of Accounts and External Auditors

- 8.1 At its meeting held on 19 July 2023 the Committee considered an update on the progress of the audit of the Statement of Accounts for 2020/2021 and 2021/2022 as well as the production of the Statement of Accounts for 2022/23. Members queried the regulations regarding external auditors and the impact on future audit timescales.
- 8.2 The Committee on 27 September 2023 held a special meeting to consider the Statement of Accounts. The final audited 2020/2021 Statement of Accounts and 2021/2022 Statement of Accounts, including the Annual Governance Statements and “Letters of Representation” from Sefton to Ernst and Young LLP (EY) were considered and approved subject to the final completion of the audit. The Committee also considered the draft 2022/2023 Statement of Accounts including the Annual Governance Statement. The Committee was advised that the final draft accounts would be completed in the following 3 weeks. Representatives from Ernst and Young advised that at present no date had been set for the audit of these accounts as they awaited further ministerial guidance on the approach to year end auditing and an assessment of internal resources.
- 8.3 At its meeting held on 12 December 2023 the Committee was updated on the progress of the audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23.
- 8.4 At its meeting held on 20 March 2024 the Committee was introduced to external auditors Grant Thornton who outlined the timeline for an Audit Plan, findings report and annual report.

9.0 Information Governance/Constitution Updates and other Miscellaneous reports falling within the Committee's Terms of Reference

9.1

9.2

9.3

10.0 Audit and Governance Committee Self-Assessment Exercise

The Chartered Institute of Public Finance and Accountancy (CIPFA) emphasises the importance of local authority audit committees undertaking a self-assessment exercise to help provide assurance that the committee is soundly based and has in place a knowledgeable membership.

On 5 March 2024 Audit and Governance Committee members attended a special briefing session and conducted a Self-Assessment exercise in consultation with the Chief Internal Auditor and Chief Legal and Democratic Officer.

The introduction of a Self-Assessment for the Committee (approved on 15 March 2023) enabled the Members to undertake a high-level review of the function and effectiveness of the Audit and Governance Committee incorporating the key principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Position Statement - [CIPFA Audit Committee Position Statement.pdf](#) and the publication (Practical Guidance for Local Authorities and Police, CIPFA, 2022 - [Audit Committee Practical Guidance 2022.pdf](#)).

A copy of this document can be viewed in the Audit and Governance Committee Library at the following links: [Audit and Governance Committee Self-Assessment 2023/2024 Report Document](#) and [Audit and Governance Committee Self-Assessment 2023-2024](#)

The Self-Assessment Exercise will be undertaken on an annual basis and will inform the Committee's work programme, training and development of Committee Members and the Annual Report.

11.0 Appointment of an Independent Member

CIPFA strongly recommends that Audit and Governance Committee Membership includes non-elected, co-opted independent member(s).

11.1 CIPFA indicates that the benefits of independent member(s) to serving on Audit and Governance Committees are:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters

11.2 Ms Rachel Oakes has been an Independent Member on the Committee since 1 June 2023.

12.0 Audit and Governance Committee Member Training and Development

To comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) advises that regular briefings and training are essential to keep Audit and Governance Committee Members up-to-date, confident and effective in their role.

- 12.1 On 15 March 2023 the Committee gave its approval for the 2022-2023 programme of Audit and Governance Committee briefing sessions based on the key competencies outlined by CIPFA to be held for one hour prior to scheduled meetings of the Audit and Governance Committee. Details of the programme of briefings and how they fulfil CIPFA key competencies Appendix 3 to this report.
- 12.2 The report also indicated that as the Treasury Management function crosscuts all Council business it would be helpful for Treasury Management training to be provided to all Councillors. The Committee therefore gave its approval for this course to be included in the Member Development Handbook 2023-24 provided to Councillors at the start of the Municipal Year. This is in line with CIPFA code which states:

“The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively”.

The Treasury Management Training event for all Councillors was held on Teams and delivered by the Council’s Treasury Management Consultants – Arlingclose on 11 November 2023.

- 12.3 CIPFA stresses the importance of Audit and Governance Committee Members being committed to and ‘buying into’ training and development regardless of previous knowledge and skills they had when they joined the committee; ensuring that their knowledge is kept up to date, giving them more confidence and understanding of their role as A&G Committee members and helping to facilitate effective, participation and decision making at meetings.
- 12.4 The following table provides details of the 2023-2024 training sessions:

Date and Topic	Presenter
<p>19 July 2023</p> <p>New Risk Management</p>	<p>Chief Internal Auditor</p>
<p>6 September 2023</p> <p>Financial Management and Accounting</p>	<p>Service Manager - Finance</p>
<p>20 March 2023</p> <p>Treasury Management (Facilitated by the Council's Treasury Management Consultants)</p>	<p>Arlingclose – The Council's Treasury Management Consultants</p>

13.0 Outcomes / Achievements

The work undertaken by the Committee has provided additional assurance of the robustness of the Council's arrangements regarding corporate governance, risk management and internal management of controls. The Committee has added value through the importance placed upon governance issues, risk management, anti-fraud and assurances that key risks are being mitigated.

- 13.1 The continuation of the Work Programme for the Audit and Governance Committee is seen as a positive step in ensuring that the Committee remains on track with its ambitious schedule of work. The introduction of quarterly Work Programme update reports are a useful means of monitoring adherence to the annual work programme
- 13.2 The continuation of a Self-Assessment Exercise completed by Members of the Committee, provides reassurance that the Committee is equipped to fulfil its role in providing independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and helping provide assurance that the Committee is soundly based and has in place a knowledgeable membership.
- 13.3 The continued appointment of an Independent Member is seen as a positive development for the Committee in helping to supplement the knowledge and experience of elected members and to help achieve a non-political focus on governance, risk and control matters.

14.0 Conclusion and Future Plans

- 14.1 The Committee has the benefit of being well supported by Council officers including the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor as well as the Council's external auditors.
- 14.2 During 2023/2024 the Audit and Governance Committee has consolidated the progress that has been made in previous years in providing robust scrutiny and challenge of the Committees Terms of Reference and in doing so the Committee has continued to have a real and positive contribution to the governance arrangements of the Council.
- 14.3 In order to build on the key achievements of 2023/2024 and in looking forward to the Committee's work programme for 2024/2025 the Committee will:
- Continue to review all elements of the governance arrangements associated with Audit and Governance Committee ensuring that best practise is adopted in a timely fashion;
 - Continue to support the Council in managing the risk of fraud and corruption.
 - Continue to support the work of audit.
 - Continue to consider the effectiveness of the Council's risk management arrangements.
 - Continue to provide effective challenge and scrutiny of all areas of the Audit and Governance Terms of Reference giving the appropriate assurances to the Council.
 - Continue to provide Audit and Governance Committee Members with training to help ensure that they remain up to-date, confident and effective in their role on the Committee.

AUDIT AND GOVERNANCE COMMITTEE

Statement of Purpose

77 The Audit and Governance Committee is a key component of Sefton's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

78 The purpose of the Audit and Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sefton's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

79 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

80 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

81 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

82 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

83 To monitor the effective development and operation of risk management and Corporate Governance in the Council.

- 84 To monitor progress in addressing risk-related issues reported to the committee including the Corporate Risk Register.
- 85 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 86 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 87 To monitor the following activities:
- Counter-fraud/ bribery strategy, actions and resources.
 - Whistleblowing
 - Money Laundering
 - Council Complaints Process including make payments or provide other benefits in cases of maladministration etc. under Section 92 of the Local Government Act, 2000 in excess of £1,000.
 - Breaches of Financial Procedure Rules and Contract Procedure Rules
- 88 To review the governance and assurance arrangements for significant partnerships or collaborations and where appropriate obtain annual third party assurance statements.
- 89 To make recommendations to Council for amendments to the Constitution.
- 90 To make recommendations to the Council on the adoption, implementation and maintenance and review of a local Code of Conduct for Members – co-opted Members and officers of the Council.
- 91 To determine effective training of Councillors and Co-opted Members in matters of conduct and advice to individuals on issues relating to the treatment of interests and on the propriety of conduct generally.
- 92 To deal with the arrangements for Councillors to receive dispensations to speak on, or participate in, matters in which they have an interest.
- 93 To determine the appropriate action on matters referred to the Committee by the Monitoring Officer including disciplinary matters relating to the

conduct of individual and/or groups of Councillors including alleged misuse of a Members Self-Maintained Website.

- 94 To ensure compliance throughout the Council with all appropriate Codes of Conduct, including the Protocol for relationships between members and officers of Sefton Council, and procedures from time to time determined by the Committee
- 95 To deal with appropriate matters referred to it from other Committees.
- 96 To determine any applications for the grant and supervision of exemptions from political restrictions in accordance with Section 3A of the Local Government and Housing Act 1989.
- 97 To determine whether a valid petition for a Community Governance review has been received and to determine the terms of reference for such a review, how the review will be conducted including the required consultation and consider replies to a consultation and then make a recommendation to Full Council on the preferred outcome. The Committee has the authority to establish a working group to undertake the committee's responsibilities in this regard.

Internal Audit

- 98 To approve the internal audit charter.
- 99 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 100 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 101 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

- 102 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 103 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 104 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include
- a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the Quality Assurance Improvement Plan (QAIP)
 - c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Assurance Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).
 - d) to consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- 105 To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.

- 106 To consider summaries of specific internal audit reports as requested.
- 107 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 108 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 109 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).
- 110 To provide free and unfettered access to the Audit and Governance Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit

- 111 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 112 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 113 To consider specific reports as agreed with the external auditor.
- 114 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 115 To commission work from internal and external audit.

- 116 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Other Assurance Areas

- 117 To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.

- 118 To consider write-offs of debt/ assets above £10,000.

- 119 To regularly review the Council's Treasury Management activities

Financial Reporting

- 120 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

- 121 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- 122 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- 123 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

- 124 To publish an annual report on the work of the committee.

Audit and Governance Committee Proposed Annual Work Programme 2023-2024

Agenda item	Report Author(s)	Inclusion rationale	21 June 2023	6 Sept 2023	**27 Sept 2023	13 Dec 2023	20 March 2024
Governance							
Produce annual report of the Audit and Governance Committee (to full Council)	Democratic Services Officer	Terms of Reference		√			
Review of effectiveness of the Audit and Corporate Governance Committee – complete self-assessment	Chief Legal and Democratic Officer	Good practice					√
Review Audit and Corporate Governance Committee training requirements	Democratic Services Officer	Good practice					√
Review and approve Annual Work Plan for the Audit and Governance Committee	Democratic Services Officer	Good practice					√
Work Programme Quarterly Update Report	Democratic Services Officer	Good practice	√	√		√	√
Review of the Audit and Corporate Governance Committee's Terms of Reference	Chief Legal and Democratic Officer	Good Practice				√	
Code of Corporate Governance	Chief Legal and Democratic Officer	Recommended by A&G					√

Page 155

Audit and Governance Committee Proposed Annual Work Programme 2023-2024

Agenda item	Report Author(s)	Inclusion rationale	21 June 2023	6 Sept 2023	**27 Sept 2023	13 Dec 2023	20 March 2024
Internal Audit							
Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity 	Chief Internal Auditor	Terms of Reference	√	√		√	√
Annual Opinion of the Chief Internal Auditor including: <ul style="list-style-type: none"> • review of impairment on independence and objectivity • QAIP • Assessment against PSIAS and LGAN 	Chief Internal Auditor	Terms of Reference	√				
Approval of the Annual Internal Audit Plan and review of Internal Audit Charter	Chief Internal Auditor	Terms of Reference					√
Annual report on the follow up of Internal Audit recommendations including those not implemented within a reasonable timescale	Chief Internal Auditor	Terms of Reference				√	
****Committee to meet with the Chief Internal Auditor (on request)	Chief Internal Auditor	Good Practice					

APPENDIX 2

Audit and Governance Committee Proposed Annual Work Programme 2023-2024

Agenda item	Report Author(s)	Inclusion rationale	21 June 2023	6 Sept 2023	**27 Sept 2023	13 Dec 2023	20 March 2024
Risk Management							
Review of the Quarterly Corporate Risk Register	Chief Internal Auditor	Terms of Reference	√	√		√	√
Review of the Corporate Risk Management Handbook	Chief Internal Auditor	Terms of Reference		√			
Regular report on health and safety (included in Quarterly Corporate Risk Register Report)	Chief Internal Auditor	Terms of Reference	√	√		√	√
Monitor role							
Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)	Chief Internal Auditor	Terms of Reference	√	√		√	√
Provide an annual report on the Council's anti-fraud strategy	Chief Internal Auditor	Terms of Reference				√	
Review of Whistleblowing Policy	Chief Legal & Democratic Officer	Terms of Reference				√	
Review of Financial Procedure Rules (if required)	Service Manager Finance	Terms of Reference				√	
Review of CIPFA Financial Management Code	Service Manager Finance	Good Practice	√				
Review of the Members Code of Conduct	Chief Legal & Democratic Officer	Terms of Reference		√			
Review the Annual Governance Statement	Chief Internal Auditor	Terms of Reference		√			

Audit and Governance Committee Proposed Annual Work Programme 2023-2024

Agenda item	Report Author(s)	Inclusion rationale	21 June 2023	6 Sept 2023	**27 Sept 2023	13 Dec 2023	20 March 2024
Monitor Role							
Provide an annual report on the Council's Anti-Money Laundering Policy	Service Manager - Finance	Terms of Reference				√	
Accounts, Financial Statements & Treasury Management							
External Auditor – Audit Planning Report Prior to submission of Statement of Accounts –	External Auditors / Service Manager - Finance	Terms of Reference				√	
External Auditor Annual Audit Letter completion of the External Audit	External Auditors / Service Manager - Finance	Terms of Reference	√				
External Auditor Annual Report re. grant work On completion of the External Audit – EY/	External Auditors / Service Manager - Finance	Terms of Reference	√				
Treasury Management Outturn	Service Manager - Finance	Terms of Reference		√			
Treasury Management In-Year Position	Service Manager - Finance	Terms of Reference	√	√		√	√

Page 158

APPENDIX 2

Audit and Governance Committee Proposed Annual Work Programme 2023-2024

Agenda item	Report Author(s)	Inclusion rationale	21 June 2023	6 Sept 2023	**27 Sept 2023	13 Dec 2023	20 March 2024
Accounts, Financial Statements & Treasury Management							
Write-offs of debt above £10,000 (if required)	Customer Centric Services Manager	Terms of Reference	√	√		√	√
****Committee to meet with External Auditors (on request)	External Auditors	Good Practice Arising from Self - Assessment	√	√	√	√	√

Page 159

special meeting of the committee scheduled 27 September 2023 to consider and approve the final audited Statement of Accounts for 2022/2023 but will be dependent on the completion of the audit by the Council's external auditors.

Ad hoc Reports will be submitted as required

**** Following on from the Audit and Governance Committee Self Assessment exercise the Committee request one private meeting with Chief Internal Auditor / External Auditors

This page is intentionally left blank



Proposed Schedule of Member Briefing Sessions for 2023-2024 and 2024-2025 Municipal Years and June in 2025 Municipal Year - based on the CIPFA recommended Core Areas of Knowledge for Audit and Governance Committee Members

<u>2023-2024 Municipal Year</u>		
Date / Topic / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
21 June 2023 <u>Risk management</u> (Chapter 4) Facilitator: Chief Internal Auditor	Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee.	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice</p>

Date / Topic / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>6 September 2023</p> <p><u>Financial management and accounting</u> (Chapter 4)</p> <p>Facilitators:</p> <ul style="list-style-type: none"> • EY • Service Manager – Finance 	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018).</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit .</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>

Date / Topic / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>27 September 2023</p> <p><u>External audit</u> (Chapter 4)</p> <p>(provisional special meeting for consideration of the 2022-2023 Statement of Accounts)</p> <p>Facilitators:</p> <ul style="list-style-type: none"> • External Auditors (EY) • Service Manager – Finance 	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service area.</p>
<p>13 December 2023</p> <p><u>Values of good governance</u> (Chapter 5)</p> <p>Facilitator: Chief Legal and Democratic Officer</p>	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p> <p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>

Date / Topic / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p>20 March 2024 <u>Treasury management</u></p> <p><i>Also, to be provided to all Councillors at a later date (tbc) as part of the Member Development Programme</i></p> <p>Facilitator: The Council's Treasury Management Consultants</p>	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: regulatory requirements; treasury risks; the organisation's treasury management strategy; the organisation's policies and procedures in relation to treasury management.</p> <p>See also Treasure Your Assets (CfPS).</p>	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>