

# Public Document Pack



MEETING: AUDIT AND GOVERNANCE COMMITTEE  
DATE: Wednesday 15th December, 2021  
TIME: 3.00 pm  
VENUE: Assembly Hall - Bootle Town Hall, Trinity Road, Bootle, L20 7AE

## Member

Councillor  
Councillor Robinson (Chair)  
Councillor Roche (Vice-Chair)  
Councillor D'Albuquerque  
Councillor Dowd  
Councillor McGinnity  
Councillor John Joseph Kelly  
Councillor Pugh  
Councillor John Sayers  
Councillor Shaw  
Councillor Sir Ron Watson

## Substitute

Councillor  
Councillor Bradshaw  
Councillor Page  
Councillor Riley  
Councillor Murphy  
Councillor Yvonne Sayers  
Councillor Spencer  
Councillor Lewis  
Councillor Sonya Kelly  
Councillor Evans  
Councillor Prendergast

COMMITTEE OFFICER: Ruth Appleby  
Democratic Services Officer  
Telephone: 0151 934 2181  
E-mail: [ruth.appleby@sefton.gov.uk](mailto:ruth.appleby@sefton.gov.uk)

**See overleaf for COVID Guidance and the requirements in relation to Public Attendance.**

**If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.**

We endeavour to provide a reasonable number of full agendas, including reports at the meeting. If you wish to ensure that you have a copy to refer to at the meeting, please can you print off your own copy of the agenda pack prior to the meeting.

## **COVID GUIDANCE IN RELATION TO PUBLIC ATTENDANCE**

In light of ongoing Covid-19 social distancing restrictions, there is limited capacity for members of the press and public to be present in the meeting room indicated on the front page of the agenda at any one time. We would ask parties remain in the meeting room solely for the duration of consideration of the Committee report(s) to which their interests relate.

We therefore request that if you wish to attend the Committee to please register in advance of the meeting via email to [ruth.appleby@sefton.gov.uk](mailto:ruth.appleby@sefton.gov.uk) by no later than **12:00 (noon) on the day of the meeting.**

Please include in your email –

- Your name;
- Your email address;
- Your Contact telephone number; and
- The details of the report in which you are interested.

In light of current social distancing requirements, access to the meeting room is limited.

**We have been advised by Public Health that Members, officers and the public should carry out a lateral flow test before attending the meeting, and only attend if that test is negative. Provided you are not classed as exempt, it is requested that you wear a mask that covers both your nose and mouth.**

# AGENDA

## 1. Apologies for absence

## 2. Declarations of Interest

Members are requested at a meeting where a disclosable pecuniary interest or personal interest arises, which is not already included in their Register of Members' Interests, to declare any interests that relate to an item on the agenda.

Where a Member discloses a Disclosable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation.

Where a Member discloses a personal interest he/she must seek advice from the Monitoring Officer or staff member representing the Monitoring Officer to determine whether the Member should withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest or whether the Member can remain in the meeting or remain in the meeting and vote on the relevant decision.

## 3. Minutes

(Pages 5 - 12)

Minutes of the meeting held on 15 September 2021

## 4. Statement of Accounts 2020/2021

Report of the Executive Director of Corporate Resources and Customer Services

## 5. Treasury Management Position to September 2021

(Pages 13 - 22)

Report of the Executive Director of Corporate Resources and Customer Services

## 6. Corporate Risk Management

(Pages 23 - 58)

Report of the Executive Director of Corporate Resources and Customer Services

Also to receive a presentation by Deborah Butcher, Executive Director – Adult Social Care and Health on two Adult Social Care risks listed in the Corporate Risk Register.

- 7. Risk and Audit Service Performance** (Pages 59 - 102)  
Report of the Executive Director of Corporate Resources and Customer Services
- 8. The Follow up of Audit Agreed Actions** (Pages 103 - 110)  
Report of the Executive Director of Corporate Resources and Customer Services
- 9. Annual Fraud Report** (Pages 111 - 124)  
Report of the Executive Director of Corporate Resources and Customer Services
- 10. Exclusion of Press and Public**  
The following report is **not** Exempt / Confidential but includes appendices which contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A under Section 100A(4) of the Local Government Act 1972. Namely:
- Item 11 – Appendices 2 and 3
- Members are therefore requested to consider whether or not they wish to discuss any matters referred to in the exempt appendices and accordingly, consider passing the following resolution:
- That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for any items of business which might involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favours exclusion of the information from the Press and Public.
- 11. Review of Risk Based Verification for Housing Benefit and Local Council Tax Reduction claims** (Pages 125 - 154)  
Report of the Executive Director of Corporate Resources and Customer Services

**THIS SET OF MINUTES IS NOT SUBJECT TO "CALL-IN"**

## **AUDIT AND GOVERNANCE COMMITTEE**

### **MEETING HELD AT SOUTHPORT TOWN HALL ON 15 SEPTEMBER 2021**

**PRESENT:** Councillor Robinson (in the Chair)  
Councillors D'Albuquerque, McGinnity, Pugh,  
John Sayers, Shaw, Sir Ron Watson and Spencer

#### **12. WELCOME AND INTRODUCTION AND CHANGE OF AGENDA ORDER**

Councillor Robinson, Chair welcomed everyone to the meeting and Members and Officers introduced themselves.

The Chair advised of a change of agenda order to enable a member of staff to leave the meeting promptly, indicating that Item No. 7 - Corporate Risk Management would be considered as the first substantive item on the Agenda, prior to Item 4 – Statement of Accounts 2020/2021.

#### **13. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Dowd, John Joseph Kelly and Roche.

#### **14. DECLARATIONS OF INTEREST**

No declarations of any disclosable pecuniary interests or personal interests were received.

#### **15. MINUTES OF THE MEETING HELD ON 23 JUNE 2021**

**RESOLVED:**

That the minutes of the meeting held on 23 June 2021 be confirmed as a correct record.

#### **16. CORPORATE RISK MANAGEMENT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the updated Corporate Risk Register, indicating that since the last meeting the Corporate Risk Register had been reviewed and updated.

Mr David Eden, Chief Internal Auditor presented the report and answered questions thereon. He indicated that two new risks had been added or

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH  
SEPTEMBER, 2021

escalated from the Service Risk Registers to the Corporate Risk Register, namely:

- Climate Change – Strategic Risk; and
- Inability to deliver the requirements and commitments for the Growth Programme.

No risks had been de-escalated from the Corporate Risk Register to the Service Risk Register or deleted from the Corporate Risk Register.

Mr Eden indicated that as highlighted in June, although there had been substantial work undertaken over the past six years to embed risk management across the Council, there was a gap in delivering key aspects of the Corporate Risk Management Handbook such as the regular updating of Service Risk Registers and updating the Corporate Risk Register and key actions had been set out to address these findings and progress was being monitored.

Mr Eden reminded the Committee that at the Audit and Governance Committee held on 18 December 2019, it had been agreed that for future meetings, a short presentation would be made by a risk owner on one of the risks listed in the Corporate Risk Register. In this respect, it had been agreed at last meeting that the Committee would receive a presentation on the risks associated with Children's Social Care.

Accordingly, Ms Laura Knights, Head of Children's Social Care was present at the meeting and briefed the Committee on the following risks associated with Children's Social Care, the measures in place to mitigate those risks and answered questions thereon:

- Failure to manage increasing demand for services.
- Failure to plan within annual budget for increased placement costs for Children's Social Care.
- The impact of regulatory framework and outcome of Joint Target Area Inspection.

RESOLVED: That

- (1) the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned action in place to mitigate these risks be noted; and
- (2) Ms Knights be thanked for her informative presentation on the risks associated with Children's Social Care and the measures in place to mitigate those risks.

## 17. STATEMENT OF ACCOUNTS 2020/2021

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the draft unaudited Statement of Accounts 2020/2021.

Mr Paul Reilly, Service Manager Finance, presented the report and answered questions thereon.

Mr Hassan Rohimun, External Auditor (Ernst and Young) provided Members with an update on the current status of the external audit of the Statement of Accounts, indicating that there were three key areas outstanding, namely:

- Valuation of property and land.
- Group financial Statements.
- Assurances on the pension fund liability.

Members raised the following issues in relation to the report:

- Given the huge amount of documentation provided, concern was expressed about the timing of this meeting the day before Full Council and it was suggested that future meetings for consideration of the draft Statement of Accounts be held in the week before the Full Council meeting.

Mr David McCullough, Chief Legal and Democratic Officer and Monitoring Officer indicated that this request would be borne in mind when preparing the Council's Calendar of Meetings for 2022/2023.

- Also, given the number of outstanding financial issues, it was suggested that the Committee would benefit from an additional meeting before the end of the year to enable Members to have the best possible information on the Council's budget considerations.

Mr Paul Reilly indicated that an additional meeting was proposed to sign off the final Audited Statement of Accounts 2020/2021.

- Request for more information on the accounts for Sefton New Directions and Sandway Homes and concern that Members were not invited to attend the board for Sandway Homes.

Mr Paul Reilly indicated that he could arrange for the accounts for Sefton New Directions and Sandway Homes to be circulated to Members if required. There was discussion between Members on the following areas.

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH  
SEPTEMBER, 2021

- Artworks – Whether there was any merit in offering redundant artworks for sale where the Council had the authority and legal power to do so.
- The process for determining Regeneration Scheme Reserves.
- PFI (Private Finance Initiatives).
- Staff redeployment during lockdown due to the Covid Pandemic.

RESOLVED: That

- (1) the draft 2020/2021 Statement of Accounts be noted; and
- (2) the timetable for the completion of the external audit that will be conducted by Ernst and Young LLP be noted.

## **18. INFORMATION MANAGEMENT AND COMPLIANCE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided an update on the Council's approach to information management and compliance.

Ms Catherine Larkin, Information Management Lead and Data Protection Officer presented the report and answered questions thereon. Mr David McCullough, Chief Legal and Democratic Officer responded to a question about Member Development.

RESOLVED: That

- (1) the report be noted; and
- (2) the Executive Director of Corporate Resources and Customer Services be requested to submit future reports on an annual basis, covering the Council's information management and governance arrangements.

## **19. PROCUREMENT – NATIONAL PROCUREMENT POLICY, CONTRACT PROCEDURE RULES AND INTERNAL PROCESSES**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided:

- A refresh of the Contract Procedure Rules as detailed in Annex A to the report for consideration and approval.



# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH  
SEPTEMBER, 2021

- the published Modern Slavery Statement, which could be viewed on the Council's website at the following link:  
<https://www.sefton.gov.uk/media/1265/modern-slavery-statement.pdf>
- An update of progress in respect of Social Value Activity.
- Updates on national policy direction.

Mr David McCullough, the Chief Legal and Democratic Officer and Monitoring Officer presented the report and answered questions thereon.

RESOLVED: That

- (1) the Contract Procedure Rules detailed in Annex A to the report be approved;
- (2) it be noted that a full rewrite of the Contract Procedure Rules will take place once the updated national guidance is published and a further report will be submitted for consideration by the Audit and Governance Committee; and
- (3) it be noted that the Council's Modern Slavery Statement is published on the Council's website at  
<https://www.sefton.gov.uk/media/1265/modern-slavery-statement.pdf>  
and is refreshed annually.

## **20. AUDIT AND GOVERNANCE ANNUAL REPORT 2020-2021 - WORK PROGRAMME 2021/22 AND TERMS OF REFERENCE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which formally presented the Annual Report of the Audit and Governance Committee, the Work Programme for 2021/2022 and the Terms of Reference of the Committee which had been agreed by full Council on 20 May 2021.

The Chief Legal and Democratic Officer and Monitoring Officer presented the report and answered questions thereon.

Councillor Sir Ron Watson requested that a formal vote of thanks be extended to Councillor Robinson, Chair and the Executive Director of Corporate Resources and Customer Services for the work undertaken in the past year in respect of Audit and Governance Committee.

RESOLVED: That

- (1) the Annual report of the Audit and Governance Committee as detailed in Appendix 1 to the report be agreed and referred to Council for approval;

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH  
SEPTEMBER, 2021

- (2) the Work Programme for 2021/22, as detailed in Appendix 2 to the report be approved;
- (3) the Terms of Reference of the Audit and Governance Committee, as detailed in Appendix 3, to the report be noted; and
- (4) the Chair of the Audit and Governance Committee and the Executive Director of Corporate Resources and Customer Services be commended and thanked for the huge amount of work undertaken in the past year in respect of the Audit and Governance Committee.

## **21. REVIEW OF WHISTLEBLOWING COMPLAINTS**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which apprised the Committee of all complaints received by the Council via its whistleblowing policy in the municipal year 2020 to 2021, in accordance with the terms of reference of the Committee and the terms of the Whistleblowing Policy.

Mr David McCullough, Chief Legal and Democratic Officer and Monitoring Officer presented the report and answered questions thereon.

RESOLVED:

That the report be noted.

## **22. REVIEW OF MEMBERS CODE OF CONDUCT COMPLAINTS 2020-2021**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided a summary of complaints received in the municipal year 2020 to 2021 that Members of Sefton Council had breached its Members Code of Conduct.

Mr David McCullough, Chief Legal and Democratic Officer and Monitoring Officer presented the report and answered questions thereon.

RESOLVED:

That the report be noted.

## **23. ANNUAL REPORT AND OPINION OF THE CHIEF INTERNAL AUDITOR**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the work of internal audit

## AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH SEPTEMBER, 2021

during 2020/21 and the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year.

This report was a key requirement of the Public Sector Internal Audit Standards and indicated that the opinion for the 2020/21 financial year was adequate with adequate prospects for improvement.

Mr David Eden, Chief Internal Auditor presented the report and answered questions thereon.

RESOLVED:

That the work of internal audit during 2020/21 and the overall opinion on the control environment of the Council during that period be noted.

### **24. RISK AND AUDIT SERVICE PERFORMANCE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which detailed the performance and key activities of the Risk and Audit Service for the period 14 June 2021 to 7 September 2021.

Mr David Eden, Chief Internal Auditor presented the report and answered questions thereon.

RESOLVED: That

- (1) the progress in the delivery of the 2021/22 Internal Audit Plans and the activity undertaken for the period 14 June 2021 to 7 September 2021 be noted; and
- (2) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in managing the Council's key risks be noted.

### **25. TREASURY MANAGEMENT OUTTURN 2020/21 AND POSITION TO 31 JULY 2021**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services, which provided a review of the Treasury Management activities undertaken during 2020/21 financial year and also provided an update to 31<sup>st</sup> July 2021.

The report indicated that Audit and Governance Committee received this outturn report to allow monitoring against the Treasury Management Policy and Strategy and Prudential Indicators approved by Cabinet and Council.

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 15TH  
SEPTEMBER, 2021

Mr Paul Reilly, Service Manager Finance, presented the report and answered questions thereon.

RESOLVED: That

- (1) the Treasury Management position to 31<sup>st</sup> March 2021 and the update to 31<sup>st</sup> July 2021, be noted; and
- (2) the effects of decisions taken in pursuit of the Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities be noted.

## **26. PRESENTATION ON BOOTLE STRAND AND SURROUNDING AREA**

Further to Minute no.11 of 23 June 2021, the Committee received a presentation by Mr Stephen Watson - Executive Director Place, in response to Councillor Sir Ron Watson's report on Bootle Strand and Surrounding area.

Mr Watson answered questions raised by Members regarding his presentation and indicated that the presentation slides would be made available to Members following the meeting.

RESOLVED:

That the presentation by the Executive Director Place on Bootle Strand and Surrounding Area be noted.

# Agenda Item 5

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	Treasury Management Position to September 2021		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	All Wards
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

This report provides Members with a review of the Treasury Management activities undertaken to 30th September 2021. This document is the second report of the ongoing quarterly monitoring provided to Audit & Governance Committee and the mid-year report to Cabinet and Council, whose role it is to carry out scrutiny of treasury management policies and practices.

## Recommendation(s):

Members are requested to note the Treasury Management update to 30<sup>th</sup> September 2021, 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

## Reasons for the Recommendation(s):

To ensure that Members are fully apprised of the treasury activity undertaken to 30<sup>th</sup> September 2021 and to meet the reporting requirements set out in Sefton's Treasury Management Practices and those recommended by the CIPFA code.

## Alternative Options Considered and Rejected: (including any Risk Implications)

N/A

## What will it cost and how will it be financed?

### (A) Revenue Costs

The financial position on the external investment budget to the end of September indicates a deficit to the end of the period. The forecast to the end of the financial year also shows that investment income will fall below the level set in the budget.

# Agenda Item 5

## (B) Capital Costs

None.

### Implications of the Proposals:

<p><b>Resource Implications (Financial, IT, Staffing and Assets):</b> A shortfall in investment income has been forecast for 2021/22 financial year due to prevailing market conditions.</p>									
<p><b>Legal Implications:</b> The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities.</p>									
<p><b>Equality Implications:</b> There are no equality implications.</p>									
<p><b>Climate Emergency Implications:</b></p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>N</td> </tr> <tr> <td>Have a neutral impact</td> <td>Y</td> </tr> <tr> <td>Have a negative impact</td> <td>N</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>N</td> </tr> </table> <p>The Council has during 2021/22, 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.</p> <p>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.</p>		Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	N
Have a positive impact	N								
Have a neutral impact	Y								
Have a negative impact	N								
The Author has undertaken the Climate Emergency training for report authors	N								

### Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: n/a
Commission, broker and provide core services: n/a
Place – leadership and influencer: Support strategic planning and promote innovative, affordable and sustainable capital investment projects through application of the CIPFA Prudential Code.
Drivers of change and reform: The Treasury Management function ensures that cash flow is adequately planned and cash is available when needed by the Council for

improvements to the borough through its service provision and the Capital Programme.
Facilitate sustainable economic prosperity: Pursuit of optimum performance on investments activities and minimising the cost of borrowing and the effective management of the associated risk continues to contribute to a balanced budget for the Council.
Greater income for social investment: n/a
Cleaner Greener: n/a

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD6636/21) is the author of the report.

The Chief Legal and Democratic Officer (LD4837/21) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

N/A

## Implementation Date for the Decision

With immediate effect.

<b>Contact Officer:</b>	Graham Hussey
Telephone Number:	Tel: 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 available for inspection.

# Agenda Item 5

## 1. Background to the Report

- 1.1. As recommended under CIPFA's revised 2017 Code of Practice on Treasury Management in Public Services, the Council's Treasury Management Policy and Strategy document for 2021/22 (approved by Council on 4<sup>th</sup> March 2021) included a requirement for regular updates to be provided on the investment activity of the Authority. This report is the second of such reports for the year and presents relevant Treasury Management information for the period ending 30<sup>th</sup> September 2021.
- 1.2. The report includes information on the investments held / entered into during the period and the interest rates obtained (with a comparison of performance against a standard benchmark figure). In addition, the report highlights whether there has been any variance from the Treasury Management Policy and Strategy and the Council's approved Prudential Indicators (the operational boundaries within which the Council aims to work).

## 2. Investments Held

- 2.1. Investments held at the 30/09/2021 comprise the following:

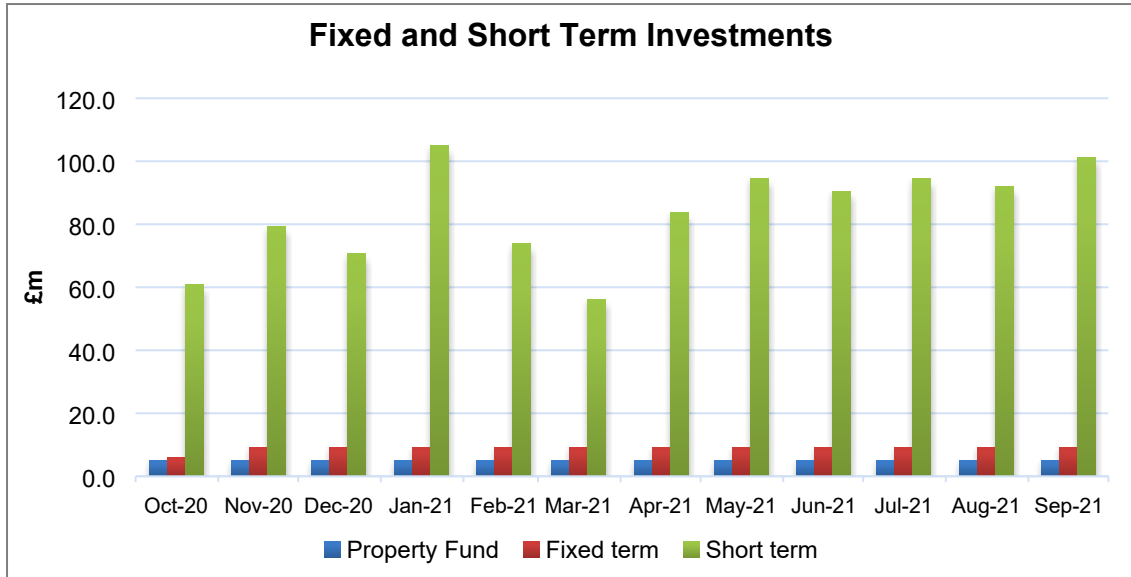
Institution	Deposit £m	Rate %	Maturity	Rating
<b>Money Market Funds:</b>				
Aberdeen	11.52	0.01	01.10.21	AAA
Aviva	11.52	0.01	01.10.21	AAA
Blackrock	11.52	0.01	01.10.21	AAA
BNP Paribas	11.52	0.01	01.10.21	AAA
Goldman-Sachs	5.41	0.00	01.10.21	AAA
HSBC	11.52	0.01	01.10.21	AAA
Invesco	9.60	0.01	01.10.21	AAA
Morgan Stanley	11.52	0.03	01.10.21	AAA
Federated	10.07	0.01	01.10.21	AAA
Total	94.20			
<b>Deposit Accounts:</b>				
Bank of Scotland	2.03	0.01	01.10.21	A+
Natwest SIBA	2.76	0.01	01.10.21	A+
Santander	2.30	0.02	01.10.21	A+
Total	7.09			
<b>Notice Accounts:</b>				
Lloyds	3.00	0.03	32 days	A+
Natwest	3.00	0.10	35 days	A+
Santander	3.00	0.15	35 days	A+
Total	9.00			
<b>Property Fund:</b>				
CCLA	5.00	4.04	n/a	n/a



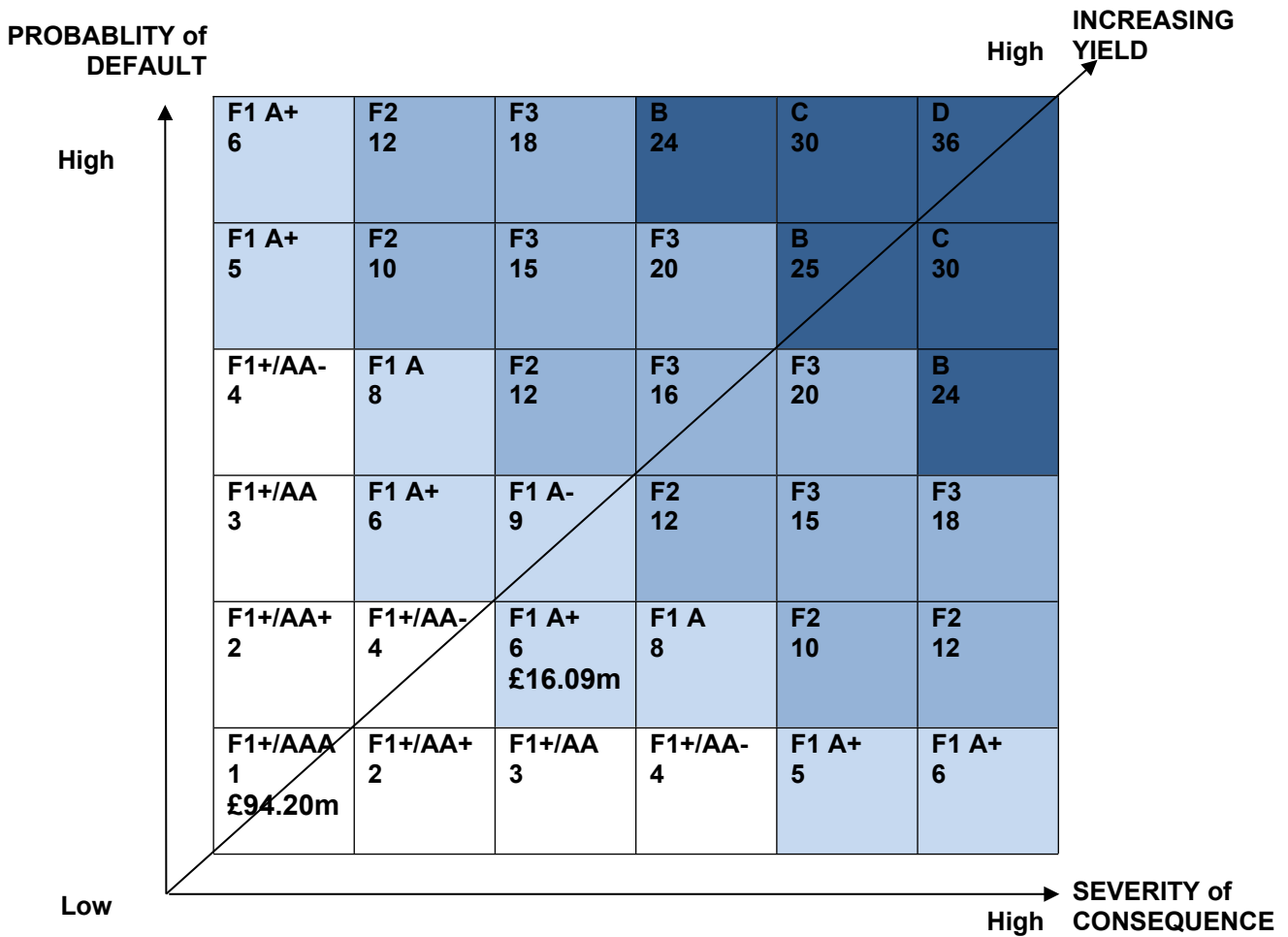
Total	5.00			
<b>TOTAL INVESTMENTS</b>	<b>115.29</b>			

- 2.2. 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 2021/22. The balance of investments is therefore expected to fall over the coming months as the income is fully expended.
  
- 2.3. All of the investments made since April 2021 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.
  
- 2.4. 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 2.8).
  
- 2.5. 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 prices fluctuate.
  
- 2.6. The Net Asset Value (NAV) of the Property Fund has increased over a 12-month period to September 2021 from 283.22p per unit to 314.11p per unit, an increase of 10.9%. The income yield on the Property fund at the end of September 2021 was 4.04% which is consistent with returns received in the past.
  
- 2.7. The ratio of overnight deposits (short term) to fixed term investments and the property fund is shown below:

# Agenda Item 5



2.8. 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:



**SEFTON RISK TOLERANCE:**

Risk Level	Score	Grade	Amount Invested
LOW	1 - 4	Investment Grade	£94.20m

LOW - MEDIUM	5 - 9	Investment Grade	<b>£16.09m</b>
MEDIUM	10 - 20	Investment Grade	<b>£0</b>
HIGH	21 - 36	Speculative Grade	<b>£0</b>

2.9. The Council will continue to maximise any investment opportunities as they arise, but in light of current economic conditions and low investment yields it is not envisaged that any substantial increase in returns can be achieved for the remainder of the current financial year. Cash balances available for investment will be held in overnight deposits to allow the council to respond to any exceptional demands for cash as they arise. The possibility for making long term deposits will be reviewed once economic conditions stabilise.

### 3. Interest Earned

3.1. The actual performance of investments against the profiled budget to the end of September 2021 and the forecast performance of investments against total budget at year end is shown below:

	Budget £m	Actual £m	Variance £m
<b>September-21</b>	0.145	0.063	0.082

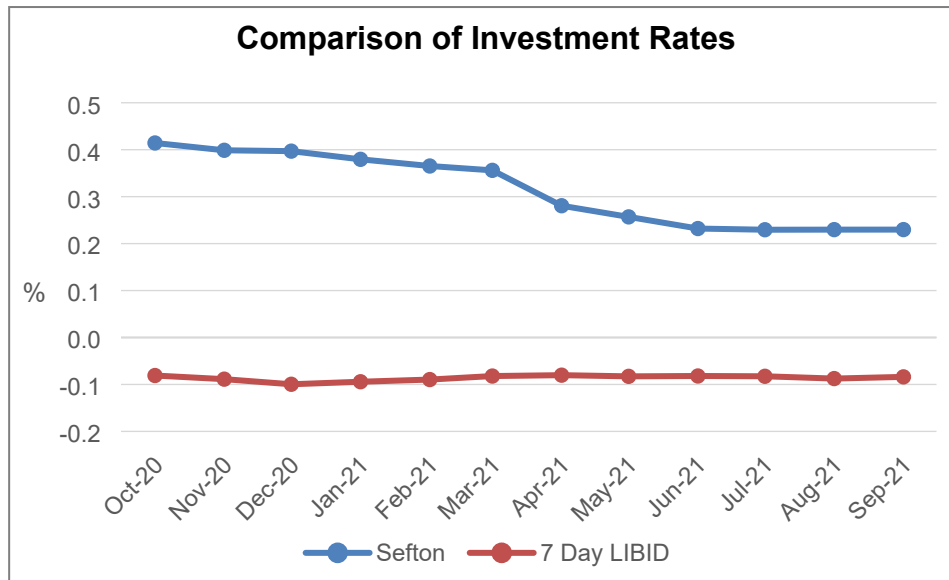
	Budget £m	Forecast £m	Variance £m
<b>Outturn 2021/22</b>	0.415	0.257	0.158

3.2. The forecast outturn for investment income shows a significant shortfall against the budget for 2021/22. The impact of COVID-19 and current economic conditions in general mean that investment rates are low, and yields are expected to be well below the estimate originally forecast in the budget.

3.3. As mentioned in paragraph 2.9, it is not envisaged that improved rates will lead to a significant increase in the current forecast income from investments during 2021/22 as cash balances are diminishing and held in short term deposits.

3.4. The Council has achieved an average rate of return on its investments of 0.23% that has out-performed the 7-day LIBID to the end of September 2021.

# Agenda Item 5



## 4. Interest Rate Forecast

4.1. Arlingclose, the Council’s treasury advisors, have provide the following interest rate view:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
<b>Official Bank Rate</b>													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Arlingclose Central Case</b>	<b>0.10</b>	<b>0.10</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

*Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England’s desire to move from emergency levels as by fears of inflationary pressure.*

*Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.*

*The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.*

*While Q2 UK GDP expanded more quickly than initially thought, the ‘pingdemic’ and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.*

*Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.*

*The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.*

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

## 5. Compliance with Treasury and Prudential Limits

5.1. During the first half of 2021/22 financial year, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

5.2. The key treasury indicators compared to the actuals as at 30<sup>th</sup> September 2021 are shown below:

<b>External Debt:</b>	<b>2021/22 £m</b>
<b>Authorised limit for external debt</b>	245.000
<b>Operational boundary for external debt</b>	230.000
<b>Actual external debt 30.09.21</b>	185.999

<b>Maturity structure of fixed rate borrowing:</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual %</b>
<b>Under 12 months</b>	35	0	10
<b>12 months to 24 months</b>	40	0	19
<b>24 months to 5 years</b>	50	0	10
<b>5 years to 10 years</b>	50	0	12
<b>10 years to 15 years</b>	75	0	13
<b>15 years +</b>	90	25	36

<b>Upper limit for principal sums invested for longer than 365 days:</b>	<b>Limit %</b>	<b>Actual %</b>
<b>Principal sums invested</b>	40	4

# Agenda Item 5

# Agenda Item 6

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	Corporate Risk Management		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in June 2021, the Corporate Risk Register has been reviewed and updated. There have been three new risks which have been added or escalated from the Service Risk Registers to the Corporate Risk Register.

- Financial sustainability beyond 2021/22 (Housing Development Company).
- ASC Workforce - recruitment, availability of suitably qualified staff and retention of current workforce.
- Failure to adequately maximise the benefits of digital growth.

No risks have been de-escalated from the Corporate Risk Register to the Service Risk Registers or deleted from the Corporate Risk Register.

The risks have been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which was approved by the Committee in December 2020.

There is no planned update of the Corporate Risk Management handbook in December 2021 as we are awaiting the outcome of definition of the Council's Risk Appetite before carrying out a review, which is due to take place in January 2021.

As highlighted in September 2021 although there has been substantial work undertaken over the past six years to embed risk management across the Council there is a gap in delivering key aspects of the Corporate Risk Management Handbook such as the regular updating of the Corporate Risk Register as well as the Service Risk Registers. Tentative improvement noted on the updating of the Service Risk Registers this quarter. Key actions have been set out to address these findings and progress is being monitored.

A presentation on one of the risks within the Corporate Risk Register will be provided to

# Agenda Item 6

Members at December meeting.

## Recommendation:

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.

## Reasons for the Recommendation(s):

A robust system of risk management will assist the Council in meeting its identified objectives.

## Alternative Options Considered and Rejected: (including any Risk Implications)

None

## What will it cost and how will it be financed?

**(A) Revenue Costs** - There are no direct financial implications arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

**(B) Capital Costs** - There are no direct capital costs arising from the report

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no direct resource implications.	
<b>Legal Implications:</b> There are no direct legal implications.	
<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b>  The recommendations within this report will	
Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
The report provides a summary of the risks identified and managed that will impact on the delivery of the Council's purpose. The Corporate Risk Register includes a Climate Change Emergency risk with actions to mitigate its impact and likelihood	



## Contribution to the Council's Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive
Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener: Positive

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD..6634/21) and the Chief Legal and Democratic Officer (LD..4835/21) 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.

<b>Contact Officer:</b>	David Eden
<b>Telephone Number:</b>	0151 934 4053
<b>Email Address:</b>	david.eden@sefton.gov.uk

## Appendices:

The following appendices are attached to this report:

- Corporate Risk Register December 2021

## Background Papers:

There are no background papers available for inspection.

# Agenda Item 6

## 1. 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 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
  - 1.2.1 “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.
  - 1.2.2 Risk management is a central part of Sefton’s strategic management and its corporate governance. Effective risk management makes sound business sense and is good management. The focus of good risk management is the identification and treatment of risk.
  - 1.2.3 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.”
- 1.3 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 into the organisation. The Corporate Risk Management Handbook 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 – risks scored at 16 plus and these are the key risks affecting the Council
  - Service Risk Registers – risks scored between eight and 15 which are owned and managed by the Head of Service.
  - Operational Risk Registers – risks scored at seven and below which are owned and managed by Service Managers
- 1.4 An updated Corporate Risk Register is presented at each meeting of this Committee. The Corporate Risk Register 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 Corporate Risk Register is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.
- 1.5 The Service Risk Registers are owned and should be reviewed by the Heads of Service 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 quarterly meeting with the Heads of Service and are also used for the monthly budget meetings that are held by Finance with the Service Management teams.

- 1.6 The Operational Risk Registers are owned and revised by Service Managers. Members may remember that the Risk and Resilience Team assisted by the Internal Audit Team completed an exercise in 2018/19 to fully implement this tier of risk registers across the organisation facilitating the completion of over 70 risk registers. This exercise was completed in March 2019. 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 Corporate Risk Register**

- 2.1.1 Since the June 2021 update to the Audit and Governance Committee, the Corporate Risk Register has been reviewed and updated.

- 2.1.2 There have been three new risks which have been added or escalated from the Service Risk Registers to the Corporate Risk Register. These risks are:

- Financial sustainability beyond 2021/22 (Housing Development Company)
- ASC Workforce - recruitment, availability of suitably qualified staff and retention of current workforce
- Failure to adequately maximise the benefits of digital growth

- 2.1.3 No risks have been de-escalated from the Corporate Risk Register to the Service Risk Registers or deleted from the Corporate Risk Register.

- 2.1.4 The scoring of the risks has been reviewed by the risk owners in line with the revised scoring matrix approved by the Committee in December 2020.

- 2.1.5 Although new risks have been identified and included in the Corporate Risk Register, progress on the holistic updating of the CRR remains as work in progress. Further progress is required to ensure that all strategic external risks have been highlighted and that there are timely updates included in the risk register if appropriate in addition to the continual review of all other risks that are contained within the risk register.

### **2.2 Service Risk Registers**

- 2.2.1 The March update highlighted that the position on the completion of the quarterly updates on the Service Risk Registers (SRR), 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 Team. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are requested.

# Agenda Item 6

- 2.2.2 A total of eight (72%) SRRs have been provided for 1st quarter 2021 with three SRRs replacing existing SRRs that were nine months old or longer.
- 2.2.3 A total of six SRRs have been provided for 2nd quarter 2021 with one being provided late.
- 2.2.4 All of the SRRs (100%) have been provided for 3<sup>rd</sup> quarter although one was provided late in the process.
- 2.2.5 There has been an improvement this quarter in the provision of the SRRs although timing of the return of the reviews remains an area to be improved. The above findings indicate that the completion of the SRRs, in line with the Corporate Risk Handbook, has over the past three quarters been varied however the latest position looks promising and needs to continue to demonstrate that this area of the risk management framework is embedded.

## 2.3 Operational Risk Registers

- 2.3.1 During the previous quarter, a request was made to all service/department managers to return the latest version of their Operational Risk Register (ORRs). The response to this was mainly positive. ORRs are in place in most service areas and the content of registers provided appears to be up to date in the majority of cases. The Risk and Resilience team are working with Communities and Education Excellence to further develop ORRs that reflect the structure within these service areas.
- 2.3.2 ORRs provided identified many risks scoring sufficiently to appear on SRR. This indicates that the escalation process of risks may not be fully embedded as either the risk should be included in the SRR or that with reflection the Head of Service may decide the risk should be scored lower. The previous request for SLB to ensure risk is included as an agenda item at each DMT, details below, should alleviate this issue.

## 2.4 Proposed actions from June 2021

- 2.4.1 In order to address the issues identified in June 2021, all Heads of Service have been engaged and the following actions agreed in order to improve risk management and its reporting. An update on the action is included below in italics:
- 2.4.2 Heads of Service will consider whether the CRR should be developed further to take account of wider strategic risks facing the organisation. Three further strategic risks have been identified this quarter and included in the CRR.
- 2.4.3 It is important that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. Guidance provided and testing of agenda and minutes will be undertaken in November/December 2021
- 2.4.4 The Sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Guidance provided and testing of agenda and papers will be undertaken in November/ December 2021

- 2.4.5 The Audit and Governance Committee approved Corporate Risk Register to be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. (completed)
- 2.4.6 An e-learning package on risk management is to be launched across the Council during the next 12 months. We have engaged a risk management provider to the Council, through the external Insurance Programme, to develop e-learning training content on risk management which is due to be completed by end of November 2021 and launched across the Council during the next six months. This is on track to be completed in early December.
- 2.4.7 The consideration of including the risks associated with the agenda item on Committee papers linked to the appropriate Corporate Objective. The Executive Director for Corporate Resource and Customer Services has confirmed that the intention is to implement this in the 2022 financial year after the assessment of the Climate Emergency addition on the header page has been assessed.
- 2.4.8 Considering including an agenda item on each of the SLB/ELT meeting at the end of the meeting to consider whether any of the content of the agenda/discussions has an impact on the current risk register for example:
- Is there a new risk which should be addressed?
  - Does the scoring of any existing risk need to be addressed including risks to be escalated or de-escalated?
  - Are there actions to be incorporated onto the risk register etc.

This will be introduced during 2022 and following introduction support will be provided to assess the impact.

## 2.5 Risk Appetite

- 2.5.1 There will be an exercise starting in January 2022 to help develop the Council's risk appetite involving Members and Officers. The final version will be shared with the Members in March 2022.

## 2.6 Summary of the current position

- 2.6.1 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 outside of the Risk and Resilience Team.
- 2.6.2 There is a clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that the risk management is embedded at this level engagement should be universal and consistent over time.
- 2.6.3 There has been tentative improvement in the updating of SRRs this quarter which is promising. There remain other gaps in the risk management framework including as well as the scoring of risks within the ORRs.

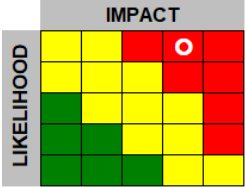
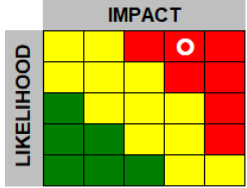
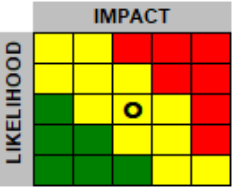
# Agenda Item 6

2.6.4 The development of the Council's risk appetite will help to further embed risk management within the Council.

## 2.7 Presentation to the December Audit and Governance Committee Meeting

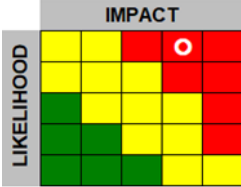
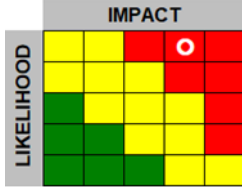
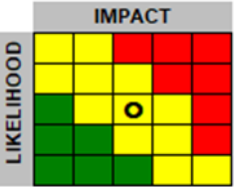
2.7.1 At the Audit and Governance Committee in December 2019 it was agreed that for each meeting a short presentation would be made by a risk owner on one of the risks from the Corporate Risk Register. The briefing, in line with good practice on risk management, should be on the background to the key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

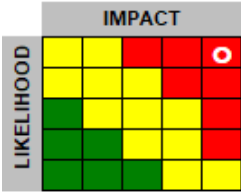
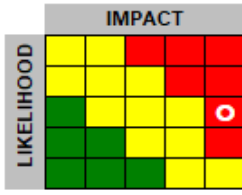
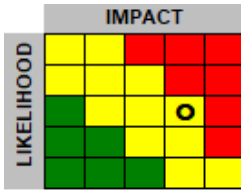
2.7.2 A presentation will be provided to Members at the December 2021 meeting.

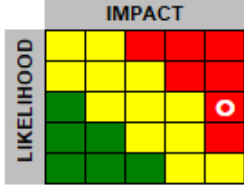
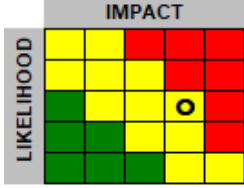
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to effectively manage and support the response to a pandemic incident</p>			
<p><b>Causes</b></p>	<p>Major pandemic incident occurs where there are multiple community outbreaks of COVID-19 impacting on the local area and staff. Recovery plans not in place.</p>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Increased morbidity and mortality</li> <li>• Reduced capacity across the Local Authority and partner organisations.</li> <li>• 20-35% staff absences anticipated in services across the Local Authority and partner organisations.</li> <li>• Services delivery reduced as a result of the implementation of business continuity.</li> <li>• Increased demand of services in response to outbreaks.</li> <li>• Increased social anxiety.</li> <li>• Services, businesses and schools being temporarily closed.</li> <li>• Surge of demand in supply chains.</li> <li>• Negative socio-economic impact.</li> <li>• High level of media and public interest in the Council's actions</li> <li>• Loss of reputation</li> </ul>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• Sefton Council Strategic Coordination Group (SCG) for COVID-19 established but now stood down. Sefton Governance structure and operational response cells in place to manage impacts of COVID- 19 and support Sefton residents, businesses, and delivery of council services. Sefton operational cells align to multi-agency workstreams on the Merseyside Resilience Forum (MRF), Liverpool City Region and other regional / North West forums. The arrangements have largely stood down apart from those linked to the Merseyside Resilience Forum, but structure can be stood back up as necessary.</li> <li>• Engagement with the Merseyside Resilience Forum (MRF) and participation in multi-agency Strategic and Tactical Co-ordination Groups to manage response to COVID-19 impacts for Merseyside. Sefton Officers Chair, lead and are active members of multiple MRF multi-agency response cells working across the Merseyside footprint and linked into national government via MHCLG.</li> <li>• Enhanced partnership working with Sefton based agencies to deliver effective response outcomes e.g. Sefton CVS, CCGs, Health agencies, Care Homes, schools and private sector organisations.</li> <li>• Enhanced working practices to facilitate remote, agile and home working for majority of staff. Robust IT systems to allow virtual meetings and extended customer contact centre opening hours. Co-ordinated approach to recruit and mobilise volunteers / council staff to deliver support to Sefton residents / communities who become vulnerable to the impacts of the pandemic.</li> </ul>		

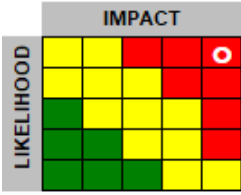
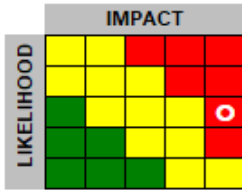
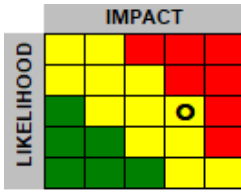
	<ul style="list-style-type: none"> <li>• Pro-active Communications strategy for public facing, internal and multi-agency working, co-ordination of information and guidance updates and out of hours on call Comms rota.</li> <li>• Links to national guidance and Gov.uk latest information repository pushed out via staff intranet, social media and other partner communications /news platforms.</li> <li>• Sefton Major Incident Guidance Document / Sefton Business Continuity Policy / Sefton Business Continuity Strategy / Service Area COVID-19 BC plans / E- learning module on Business Continuity</li> <li>• Sefton dedicated and knowledgeable teams including Public Health Team and Risk and Resilience Function</li> <li>• Continuous reinforcement of hand hygiene and infection control messages from Public Health both internally and externally.</li> <li>• Regular Communications from HoS and Senior Managers to staff with regard to observation of social distancing and on-going 'stay safe' COVID-19 advice including continue to work at home wherever possible.</li> <li>• Outbreak Board chaired by Leader meeting. Wider partnership outbreak board meeting.</li> <li>• Additional public health staff recruited to strengthen health protection response</li> <li>• Locally supported contact tracing service in place.</li> <li>• Community and targeted asymptomatic Lateral Flow testing in place.</li> <li>• Surge testing completed in three wards in Southport and Formby in response to identification of Variant of Concern.</li> </ul>
<b>Risk owner</b>	DPH/CEO
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Review Council Pandemic Plans, including the Outbreak plan in response to publication of Covid-19 Winter Plan and updated contain framework</li> <li>• Asymptomatic testing plan in place until March 2022.</li> <li>• Contact tracing service will flex in response to changing rates of infection and provide additional cover (testing, vaccine promotion etc) as wider Council workforce return to routine duties.</li> <li>• Community Connectors continue to support Covid-19 response, community engagement and vaccine uptake.</li> <li>• MRF multi-agency Strategic Recovery Co-ordinating Group planning ongoing.</li> <li>• Place based planning in progress</li> </ul>

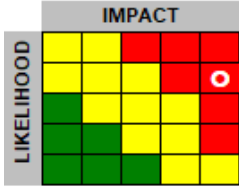
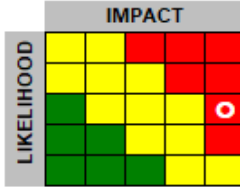
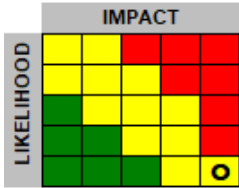


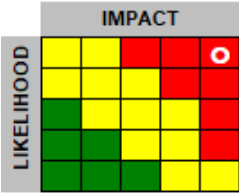
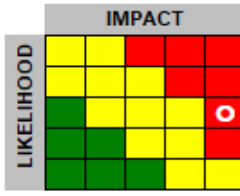
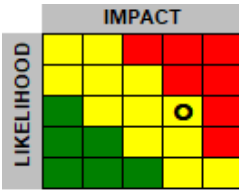
Risk Description	Previous risk score	Current risk score	Target risk score
Gaps in understanding of community needs			
<b>Causes</b>	Lack of community response to request to complete census Low response rates to census in certain wards		
<b>Result</b>	<ul style="list-style-type: none"> <li>The Council uses the information gathered in the census to plan and inform service decisions. Gaps in the information gathered in the census decreases the quality of information available to the Council</li> <li>Financial sustainability could be compromised</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>Completion of the Census Day 2021 promoted via Council's Social Media and News Channels</li> <li>Promotion of the Census included Council building being lit up</li> <li>National Census team encouraging participation by direct contact with individuals in areas of low take up</li> <li>Targeted social media to areas of low up take to encourage completion of Census after Census Day</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Consider new census information when published - The initial findings from the 2021 Census of Population and Housing in England and Wales that took place on 21 March 2021. Statistics from the 2021 Census will be released in stages over the next year to April 2022</li> </ul>		


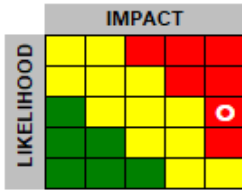
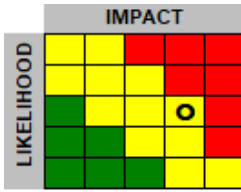
Risk Description	Previous risk score	Current risk score	Target risk score
The Council is the victim of a cyber-attack.			
<b>Causes</b>	Malware, ransomware or another virus infects the Council's systems.		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data.</li> <li>• Data breach occurs.</li> <li>• Financial impact of ransom.</li> <li>• Reputational damage</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Cyberattack prevention measures are in place, including <ul style="list-style-type: none"> <li>- Upgraded Council firewalls and active SIEM monitoring service.</li> <li>- Anti malware tools</li> <li>- New Acceptable use policy</li> <li>- LGA Stocktake completed</li> <li>- PSN Accreditation achieved</li> <li>- New security standards for email encryption implemented</li> <li>- Further network security in place to reduce risk</li> </ul> </li> <li>• Back-up disaster recovery facility is in place at a separate site, allowing Agilisys to restore the top 20 critical systems.</li> <li>• 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</li> <li>• Ongoing monitoring in in place via ICT governance arrangements</li> <li>• Windows Defender anti-virus software is constantly updated alongside ESET also deployed</li> <li>• Communication to employees regarding the rise in malware attacks is in place, with plans to roll out better user education on this topic.</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• The ongoing ICT Transformation programme will see 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</li> <li>• Education programme for phishing to continue and this will be linked to the annual information security training</li> <li>• Review of Cyber Incident planning underway given the recent high-profile breaches in other authorities.</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2021/22	New risk – no previous score recorded		
<b>Causes</b>	The Council has a wholly owned Housing Development Company- due to the prevailing economic conditions at present and the issues that surround supply chains (which are worldwide) there is a risk that there could be a financial impact on the Council.		
<b>Result</b>	<p>There are 3 key issues that could materialise from this risk</p> <ul style="list-style-type: none"> <li>• The council’s potential dividend of £1.3m may not be received and this would have an impact on the MTFP</li> <li>• The Council provides a debt facility to the company that based on the recent cabinet report amounts to £8.3m- this is due to be repaid in 2024.</li> <li>• The Councils ambition to provide high quality Housing maybe compromised</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• The Council has recently (October 2021) received a detailed update report on all aspects of the Company's activities including building programmes, grant funding and financial implications</li> <li>• Within that report members were provided with details of how the business plan was revised to inform more accurate financial projections that reflect a more accurate build, completion and sales programme.</li> <li>• That report also provided details of the risk management approach that the company administers</li> <li>• The Company has advised that it will utilise the councils internal audit team to undertake a work programme during 2021/22</li> <li>• The new financial implications received by members will only be approved when the company provides the council with an updated exit strategy- this will be provided to members in December together with an update on governance arrangements</li> </ul>		
<b>Risk owner</b>	CEX/ ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Receive revised exit plan to understand full risk that the council would be exposed to at the peak debt level</li> <li>• Receive monthly monitoring reports from the Company and report to Members any material variations to the Business Plan</li> <li>• Ensure governance arrangements are robust</li> <li>• Complete annual audit work</li> <li>• Complete annual report to Cabinet and Council as appropriate on delivery of Business Plan</li> <li>• Ensure MTFP takes account of latest dividend projections and Budget reports detail fully balance sheet exposure as a result of peak debt and how this would be managed</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2021/22			
<b>Causes</b>	<ul style="list-style-type: none"> <li>The national review of local government funding and the next comprehensive spending review and subsequent 3 year financial settlement places further strain on the Council's overall medium term budget.</li> <li>Due to the scale of budget reductions since 2010 there is a risk that further suitable cost-saving/income generating measures will be difficult to identify. The current pandemic will also significantly affect both the in year and future years budget pending advice and further support from central government.</li> <li>The impact of the Global pandemic will also have an impact on the council's finances with increased demand for services, a reduction in income and reductions in collection Fund income</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>Degradation of service could have an adverse impact on residents and communities</li> <li>The reputation of the Council may be compromised</li> <li>Financial sustainability could be compromised</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>The financial sustainability of the council in the next three year period will be driven by the support offered by central government via the spending review and subsequent local government financial settlement. This will inform the development of the councils three year budget from 2022/23. the council will receive a revised MTFP based on the CSR announcement at the council meeting in November and this will take account of all known information to inform decision making. The council will also inform the consultation exercises that will follow on the local government finance settlement and business rates reset and fair funding review. Future budget assumptions will take account of the latest estimates and will also be sufficiently prudent to ensure financial sustainability is maintained.</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Deliver the Councils Budget Plan for 2021/22 that was approved on 4 March 2021</li> <li>Produce a revised three year MTFP for 2022/23 to 2024/25 for cabinet/ council that reflects the 3 year comprehensive spending due in October 2021</li> <li>Revise all three year budget assumptions especially those assumptions in respect of income sources and demand led services that have been affected by the pandemic</li> <li>In considering revisions to budget assumptions aim to understand whether these issues are permanent budget issues or temporary in nature</li> <li>Inform the governments fair funding review and business rates reset consultations that will inform funding in years 2 and 3 of the 3 year period</li> <li>Maximise the use of funding awarded to support the council's response to the pandemic to support the longer-term impact of COVID 19 on the council's budget</li> </ul>		

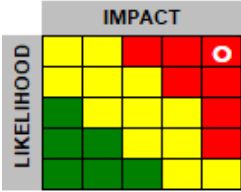
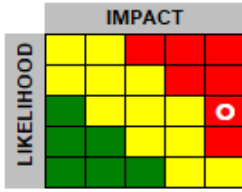

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to adequately invest in the Highway network and associated assets.</p>			
<b>Causes</b>	Budget reductions; inadequate funding levels to meet need; rising prices for services, materials and equipment.		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Deterioration of highway assets</li> <li>• Potential increase in claims</li> <li>• Financial and reputational risks</li> <li>• Potential increase in accidents resulting in injury and/or death</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Essential work is prioritised within available budget. Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk.</li> <li>• Regular updates provided to Cabinet Member</li> <li>• Preventive surface treatments used to prolong the life of the network and to treat more of it than if more long-term maintenance solutions were used (i.e. resurfacing)</li> </ul>		
<b>Risk owner</b>	Ho H&PP		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Actively pursue opportunities for additional external funding via LCR/CA and others to maintain and improve network.</li> <li>• Work with Contractors and suppliers to manage risk, mitigate for price rises and manage supply chain.</li> </ul>		

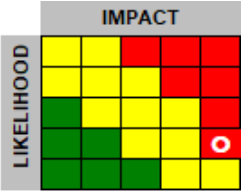
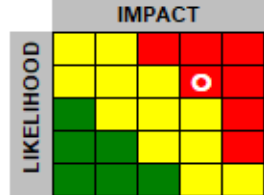
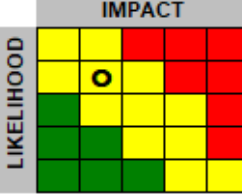
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Data breach resulting in the wrongful release of personal and/or sensitive information</p>			
<b>Causes</b>	<p>Policies and processes coordinated by Information Management and Governance Executive Group are not adhered to, resulting in a higher incidence of breaches caused by human error System error occurs</p>		
<b>Result</b>	<p>Failure to comply with legal requirements; loss of privacy, distress or harm to the data subject; damage to Council's reputation; loss of public confidence; and significant financial penalties.</p>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>Information management and governance, including data breaches and actions to prevent data breaches, is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e. Data Protection Officer/IG Lead, Senior Information Risk Owner and Lead officer for ICT infrastructure) supported by other officers with key roles relating to IMG.</li> <li>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 Tactical Group.</li> <li>Support, co-ordination, advice and guidance is provided corporately, and appropriate training/refresher training is in place.</li> <li>The Council has implemented policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> </ul>		
<b>Risk owner</b>	<p>All Heads of Service</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following: Regular monitoring and review by IMGEG of policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> <li>Ongoing review of information systems to ensure no inappropriate or unforeseen data linkages exist within systems or reports. Review of systems ahead of updates to identify any unintended changes.</li> <li>Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error.</li> <li>Regular review of information contained to ensure information is accurate and any information that should be removed is removed.</li> <li>Regular reporting by IMGEG to SLB and Audit and Governance Committee as necessary</li> <li>Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance</li> </ul>		

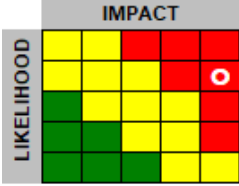
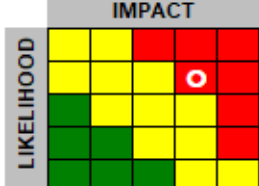
Risk Description	Previous risk score	Current risk score	Target risk score
Failure to manage historic records effectively			
<b>Causes</b>	The risk is amplified by the implementation of GDPR (in particular the right to erasure and tighter deadlines for response to Subject Access Requests). In addition, the Council's Asset Maximisation programme which may lead the Council to leaving, redeveloping or selling buildings where records are held and moving to Paper Light working arrangements.		
<b>Result</b>	<ul style="list-style-type: none"> <li>Failure to comply with legal requirements relating to retention, consideration, release or correct disposal of historical information; damage to Council's reputation; loss of public confidence; and significant financial penalties.</li> <li>Historical information is not stored or managed correctly, such that it is lost, damaged or incorrectly disposed of</li> <li>Not known to the organisation when making relevant decisions; retained when it should have been correctly disposed of.</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>Information management and governance is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (Senior Information Risk Owner; Lead officer for ICT infrastructure, IG Lead/DPO), supported by other officers with key roles relating to IMG.</li> <li>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 &amp; Governance Tactical Group.</li> <li>Support, co-ordination, advice and guidance is provided corporately and appropriate training/refresher training is in place, including reminders to undertake this on an annual basis.</li> <li>The Council has implemented policies, procedures and processes for the management of information and has in place corporate contracts for appropriate digitisation, disposal and archive storage services.</li> <li>The Council has implemented a Historic Records Project to manage the scale, condition and correct management of all historic records held. This project reports regularly to IMGEG.</li> <li>Regular monitoring and review by IMGEG of policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> <li>Regular communications to workforce reminding them of training and responsibilities.</li> </ul>		
<b>Risk owner</b>	All Heads of Service		

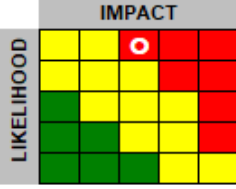
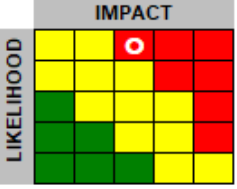
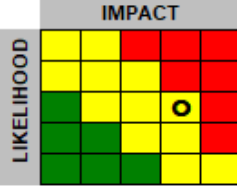
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"><li>• Appropriate resourcing, prioritisation and focus on information management and governance across the Council, including support for Information Asset Owners and Information Asset Administrators including action on the following.</li><li>• Regular monitoring and review by IMGEG of policies, procedures and processes for the management of information, including historic information.</li><li>• Regular monitoring and review by IMGEG of the progress and implications of the Historic Records Pilot Project, including reporting to SLB and Audit and Governance Committee as necessary.</li><li>• Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.</li><li>• Commission training to improve understanding of data handling requirements and checks and controls</li><li>• Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error.</li></ul>
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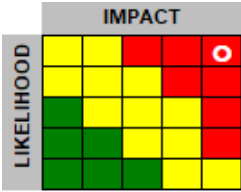
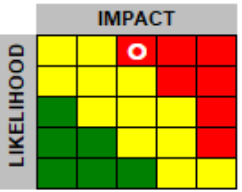
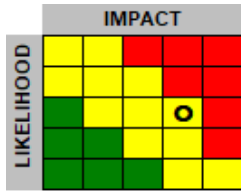


Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.</p>			
<b>Causes</b>	<p>A major incident occurs affecting the Council or the Borough. This risk is accentuated as the government has determined the terror threat level as "severe" and was raised to "critical" on two occasions in 2017.</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Loss of human life, illness or serious injury</li> <li>• Major damage or destruction to infrastructure, property and/or the environment</li> <li>• Disruption or loss of critical services such as transport, communications, utility services</li> <li>• Reputational or financial harm to the authority</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Emergency Response Manual and Major Incident Guidance in place.</li> <li>• Revised Command and Control structure in place which defines Strategic and Tactical level officers.</li> <li>• Emergency Duty Co-ordinators (EDCs) are able to access Resilience Direct containing incident response plans.</li> <li>• Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis. Two EDCs have now completed Multi Agency Gold Incident Commander (MAGIC) accredited training.</li> <li>• Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside.</li> <li>• Humanitarian volunteers in place and regular meetings and training now offered.</li> <li>• Continuous development and review of supporting plans.</li> <li>• Service Level Business Continuity plans now completed. Business Continuity eLearning package available to all staff</li> <li>• Business Continuity Policy and strategy have been devised and approved.</li> </ul>		
<b>Risk owner</b>	<p>All Heads of Service</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Four additional EDCs to undertake MAGIC training in February 2022.</li> <li>• A Business Continuity Management System has been devised and is currently being implemented. This includes the following:</li> <li>• Service Level Business Continuity Plans currently undergoing review and improvement of content. This includes details of key supplier information and IT matrix to identify critical systems within each service. This will then inform a testing regime for the plans.</li> <li>• Exercising of Business Continuity plans to be undertaken late 2021/early 2022.</li> <li>• External provider currently being sought to support exercising due to lack of experience and expertise within the council.</li> </ul>		

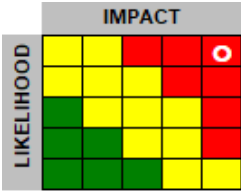
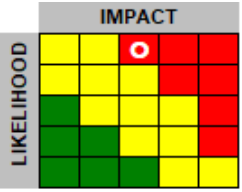
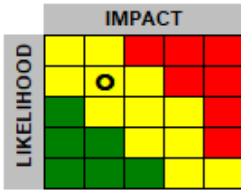
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Market failure of Social Care provision across Adult and Children's</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• Capability and capacity of the available workforce to provide domiciliary care</li> <li>• Lack of diversity of supply in the market to provide choice and control</li> <li>• Impact of Covid-19 and need for mandatory vaccination</li> <li>• Capability and capacity of the available workforce within the care home market</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Inability to provide packages of care for service users and fulfil statutory duty of care</li> <li>• Lack of alternative providers able to support social care</li> <li>• Poor quality service provision and high costs</li> <li>• Significant increase in unmet needs of service users due to a fragile market that is not developing</li> <li>• Inability to meet sufficiency duty</li> <li>• Growing number of children placed out of borough</li> </ul>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• Market Position Statement</li> <li>• Integrated Commissioning Group/Strategic Commissioning Group</li> <li>• Strategic Commissioning Team</li> <li>• Commissioning priorities and full work plan</li> <li>• Health and Wellbeing Strategy 2020-2025</li> <li>• Winter Planning/checklist</li> <li>• Robust supply chain review undertaken</li> <li>• Demand Management Programme in adults and children's</li> </ul>		
<p><b>Risk owner</b></p>	<p>ED ASC&amp;H, ED CSC&amp;E</p>		
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>• Development of Workforce Strategy for Health and Care workforce</li> <li>• Review and align strategic plans to current contracts to ensure Value for Money and objectives are met.</li> <li>• Development of new opportunities through Sefton Place Based Partnership development</li> <li>• Children's High Risk/High Cost Project, Commissioning priorities and full work plan.</li> <li>• Market Plans aligned to level of risk- Domiciliary Care</li> <li>• Recruitment campaign developed - part of PBP plus links into national care sector recruitment campaign</li> <li>• Development of contingency plans for provider failure - risk escalation process</li> </ul>		

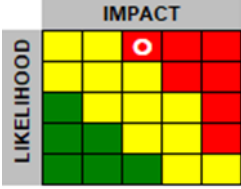
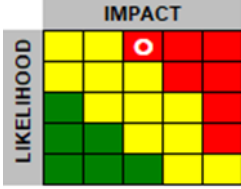
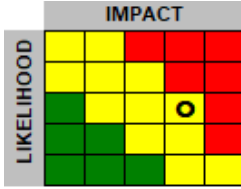
Risk Description	Previous risk score	Current risk score	Target risk score
Significant impact on Service Delivery for Planning and Sefton LA			Not indicated
<b>Causes</b>	Government are completing an overhaul of Planning System		
<b>Result</b>	Impact - Requirement to review and amend local plan, impact on financials as creates a removal of revenue. Loss of control with potential impact on Town Centre Recovery and Community cohesion		
<b>Current treatments and controls</b>	Added on 05.08.20 impact and associated actions not yet known, requires escalation onto CRR As controls and Govt detail become clearer the impact will be re-assessed and this may be removed from CRR.		
<b>Risk owner</b>	DM		
<b>Proposed actions</b>	The Planning Risk requires maintaining on the CRR as there is still no detailed guidance from the Government on the changes and so risk assessment and mitigation cannot be completed.		

Risk Description	Previous risk score	Current risk score	Target risk score
Climate Emergency- Strategic Risk			
<b>Causes</b>	The Council has declared a climate emergency with a view to becoming a net zero contributor by 2030- the aim of this declaration is to improve the lives of residents, make the Borough a more attractive place to live and work, contribute to addressing the global impact of climate change contribute to stopping the deterioration of the Sefton environment.		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Further deterioration in air quality</li> <li>• Extensive Coastal Erosion</li> <li>• Further deterioration in overall Sefton Environment</li> <li>• Sefton fails to support the drive to reduce carbon emissions that are having a significant impact on climate change</li> <li>• Reduced life expectancy</li> <li>• Reputational damage having declared an emergency and agreed a strategy and implementation plan</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Council has declared a climate emergency</li> <li>• Council has agreed the Strategy to meet this Declaration</li> <li>• Initial activities all completed</li> <li>• 3 year implementation place agreed by council</li> <li>• Annual Reports track progress and are reported to Cabinet and Council</li> <li>• First year of activity on target</li> <li>• Initial projects in 3 year period include- move to agile working for staff, street lighting energy scheme, decarbonation work at Bootle and Southport Town Halls and exploring options around using 100% renewable electricity</li> </ul>		
<b>Risk owner</b>	ED CR&CS and ED People		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Assess options for 100% renewable electricity</li> <li>• Ensure completion of initial 3 year implementation place</li> <li>• Identify and bid for external funding to support change initiatives as without such financial support this will compromise the council's ability to meet its target</li> <li>• Work with Combined Authority on communication strategy and leverage the CA to identify external funding and align with their programme of works</li> <li>• Work with the voluntary sector who have also declared a climate emergency - this will support delivery of schemes, external funding generation and community engagement for both organisations</li> </ul>		

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><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues.</li> <li>• National funding allocations are not increasing annually to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope.</li> <li>• 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.</li> <li>• Maintained special school provision is full and so more and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed in 2021/22 through extra In-House provision, there remain risks that external placements may continue at high additional cost.</li> <li>• 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</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Sefton's High Needs budget overspend was £2.8m for the financial year (2020/21) and this increased the balance sheet deficit on High Needs to around £8.3m.</li> <li>• In 2021/22, despite a considerable increase to Sefton's High Needs Funding allocation of over £3.1m, there is still a forecast overspend for 2021/22 of £1.5m, which would take balances on High Needs to a deficit of £9.8m by the end of 2021/22, unless this can be addressed.</li> <li>• The estimated deficit on the high needs block will be held on the Council's Balance Sheet. The DfE do not expect the Local Authority's General Fund to cover accumulated deficits, however the size of the deficit is continuing to increase.</li> <li>• Ofsted inspection affected.</li> </ul>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• Report to Cabinet on work programme, timescales and objectives</li> <li>• Engagement with Head of Education Excellence and the SEN team Managers on how costs can be contained.</li> <li>• Sufficiency statement produced that will drive future strategy and financial sustainability</li> <li>• Lobbying and engagement of both DfE and MCCLG on financial impact and the need for increased support</li> <li>• 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.</li> <li>• Review of place and top up levels of funding.</li> </ul>		

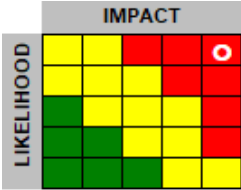
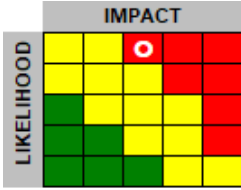
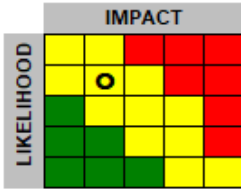
	<ul style="list-style-type: none"> <li>• In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people.</li> <li>• Sefton Schools Forum has agreed to the continuation for an additional year of intra-block funding decisions made in 2020/21 to increase funding available in 2021/22.</li> <li>• The transfer of 0.25% (£0.430m) from the Schools Block to the High Needs Block, will target funding towards supporting the most inclusive schools.</li> <li>• The National High Needs Block formula funding allocation to Local Authorities has increased by £780m in 2020/21; and by a further £730m in 2021/22 as part of a three year funding agreement compared to the 2019/20 baseline.</li> <li>• Sefton’s share of the additional funding in 2021/22 after deductions for directly funded schools by the ESFA and excluding increases for Teachers Pay and Pensions which was rolled into the HN Funding settlement, is £2.555m.</li> </ul>
<b>Risk owner</b>	Head of Education Excellence
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Lobbying of Government continues with a view to securing increased funding. Some LA s have been working in partnership with the DfE with agreement to have their High Needs deficits reduced over a 3 year period and Sefton will engage with the DfE to seek a similar agreement based on its work on a High Needs review and towards reaching a balanced budget position 2021/22 - 2022/23</li> <li>• The SEND Schools Forum is the Project Group tasked with implementing an action plan to address the annual overspend, cumulative deficit and bringing the budget back into an in-year balanced position for 2021/22 - 2022/23.</li> <li>• To date, two specific workstreams have been developed with LA and School representatives working on a number of key areas:</li> <li>• Developing a new funding model to support children with EHCPs;</li> <li>• Clarifying high needs funding outside of the EHCP process;</li> <li>• Reviewing provision and placement sufficiency.</li> <li>• Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes.</li> <li>• Review of the graduated response and supporting SEN leadership in schools.</li> </ul>

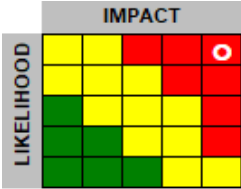
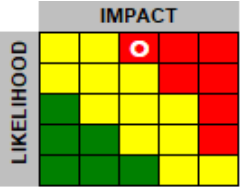
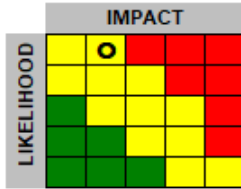
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to manage increasing demand for services within Children’s Social Care</p>			
<b>Causes</b>	<p>Increase in the number of children needing a CSC intervention including increase in LAC and CP            Changes to National Transfer Scheme- rota system for unaccompanied asylum seekers - New demand from Sept 21            Budgets reduced to meet Council Targets has had an impact on the delivery of early help services</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Inability to cope with demand, increased safeguarding risks</li> <li>• Inability to meet childrens’ needs at the right time</li> <li>• Loss of reputation and poor inspection outcomes</li> <li>• Increase in budget pressures</li> <li>• Increase in Social Work Caseloads</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Regular audit of cases, scrutiny of data and understanding of demand to predict future demand (needs analysis)</li> <li>• Demand Management Programme as part of the next PSR projects in place with a number of workstreams to reduce demand for services.</li> <li>• Increased workforce capacity and recruitment and retention initiatives</li> <li>• Programmes sufficiency and commissioning to control spend and market development</li> <li>• National Transfer Scheme- rota system for unaccompanied asylum seekers - Approaches made to providers to assess capacity to support this provision - exploration of securing additional capacity</li> </ul>		
<b>Risk owner</b>	<p>HoCSC/DCS</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Demand management workstream with project management</li> <li>• Recruitment of Support workers to undertake non - social work tasks</li> <li>• Managed Service in place to support reduced SW caseloads</li> <li>• Increased resource to discharge Care Orders at home</li> </ul>		

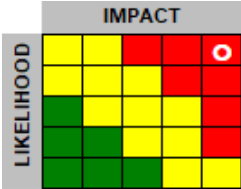
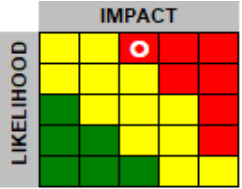

Risk Description	Previous risk score	Current risk score	Target risk score
<p>School debts transferring back to the Council in the event of them being forced into academy status or closing.</p>			
<b>Causes</b>	<p>Schools with Licensed Deficit Budget Agreements with the Council fail an OFSTED Inspection and the Secretary of State for Education issues and Academisation Order to transfer control of the school over to Multi Academy Trust. Governing Bodies of Schools with Licensed Deficit Budget Agreements are not provided assurance that the school can become viable and Elected Members agree to the closure of the school.</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• There are 7 Schools who are operating under a Notice of Concern as they have an agreed licensed deficit agreement with the Council or are projected to be in a deficit balance situation in 2021/22.</li> <li>• There are two other schools that have deficits in 2021/22 and the LA will be providing them with a Final Notice and working with the Governors to produce a financial action plan to address the deficit and agree a licensed deficit. The overall deficit of the above establishments in 2021/22 is approx.£1.96m</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• All Schools must provide 3-year financial plan to the Council by 30th April each year and get agreement to operate under a Licensed Deficit Agreement.</li> <li>• Along with any Licensed Deficit Budget Agreement Schools are also given a Financial Notice letter which sets out the financial framework under which the Governors and Senior Members of the school must operate while they are in deficit.</li> <li>• Quarterly report to Cabinet Member Children, Schools and Safeguarding on overall financial risk to the Council and performance of each school against the agreed Licensed Deficit Plans.</li> <li>• Termly meetings with Head of Education Excellence and Finance staff with the Chair of Governors and Headteacher of each school operating under a Licensed Deficit Budget Agreement to discuss financial performance against agreed plan.</li> <li>• Discussion of financial performance of schools at termly Schools Causing Concern meetings where educational performance is also discussed and identifies schools that could fail any upcoming OFSTED Inspection.</li> <li>• The option for the Council to remove delegation from the school if an academy order is placed on the school and the Council has concerns regarding the overall deficit position of the school.</li> </ul>		
<b>Risk owner</b>	HoEE		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Continued operation of Licensed Deficit Agreements and scrutiny of school financial plans and ongoing support to Governing Bodies</li> </ul>		



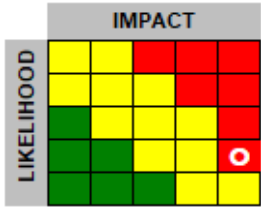
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|  | <ul style="list-style-type: none"><li>• Meetings between the Council and the Liverpool Archdiocese to develop strategy to support a number of VA Schools who present a significant financial concern to the Council.</li><li>• Agreement from the DfE to provide the Council with additional financial support through its School Resource Management Advisory Team to review the finances of specific schools and give some external / independent advice on a school's finances.</li></ul> |
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Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to mitigate within annual budget for increased placement costs for Children's Social Care</p>			
<b>Causes</b>	<p>Numbers of children in care increase, demand for placements cannot be met as cost increases.                      Impact of Covid 19 on demand and costs of placements                      National Transfer Scheme- rota system for unaccompanied asylum seekers - Changes of responsibility across Local Gov means Sefton will need to consider arrangements for unaccompanied asylum seekers and impact on local market                      Increased cost of placements.</p>		
<b>Result</b>	<p>Costs increase and quality and sufficiency of placements decreases</p>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Fortnightly meeting to monitor placement costs and reduce high cost placements</li> <li>• Programme of market reform in residential market</li> <li>• Focus on recruitment of in house foster carers</li> <li>• Work with LCR on a wider programme of market reform.</li> <li>• Specialist resources for Children's Commissioning</li> <li>• Improvement Plan for Children's Commissioning</li> <li>• Independent Improvement Board with Chair and DFE representation</li> </ul>		
<b>Risk owner</b>	<p>HoCSC/DCS</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Development of market to meet need</li> <li>• Opportunities to collaborate across LCR to develop market</li> <li>• Regular review of budgets to identify and mitigate pressures</li> <li>• Project Management through Demand Management Workstream</li> </ul>		

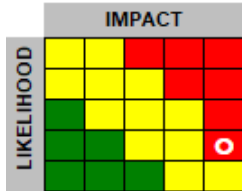
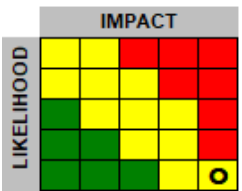
Risk Description	Previous risk score	Current risk score	Target risk score
Impact of regulatory inspection framework and the outcome of previous inspections on Sefton			
<b>Causes</b>	Negative outcomes of regulatory inspections and visits		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Services are found to be not adequately safeguarding children and meeting their needs</li> <li>• Reputational damage to the Council and statutory partners with significant impact on staff morale and potential difficulties recruiting social workers</li> <li>• Significant impact on LA reputation if priority actions are not addressed</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Independent Improvement Board is already established. A DfE Adviser is appointed and a new improvement team is in place with a plan to address priority actions.</li> <li>• Governance arrangements reviewed and strengthened with Children's Improvement Partnership Board reporting to Health and Wellbeing Board</li> <li>• QA framework in place.</li> <li>• Ongoing preparation in place for ILAC inspection due in the next 6 months</li> <li>• Improvement Plan</li> <li>• Full diagnostic completed</li> </ul>		
<b>Risk owner</b>	HoCSC/DCS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• CSC Improvement Plan is reported to the Independent Improvement Board and to the DfE</li> <li>• Performance meetings to continue. Accurate and detailed diagnostics completed across the department, workstreams established and actions being undertaken.</li> <li>• Support via Partners in Practice to scrutinise effectiveness of partnership arrangements and permanence arrangements for children</li> <li>• Programme of audit and independent audit planned.</li> </ul>		

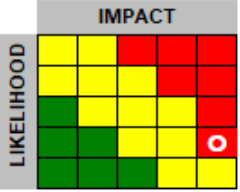
Risk Description	Previous risk score	Current risk score	Target risk score
Failure to mitigate impacts of COVID-19, EU Exit, winter, austerity, on the Sefton economy			
<b>Causes</b>	<ul style="list-style-type: none"> <li>• Lack of support for business</li> <li>• Lack of progress on projects that can support recovery</li> <li>• Lack of capital and revenue funding from government</li> <li>• Impact of wider issues on local businesses (e.g. national retailers)</li> <li>• Loss of key employers to the borough and towns, particularly Bootle and HMRC, Santander</li> <li>• Impact on key sectors (especially hospitality) in Southport</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Increased business failure</li> <li>• Increased unemployment</li> <li>• Financial and reputational risks to the Council</li> <li>• Impact on communities of port disruption, increased traffic, etc</li> <li>• Loss of reputation</li> <li>• Impact of wider economic change on residents, particularly the most vulnerable</li> </ul>		
<b>Current treatments and controls</b>	Sefton Strategic Recovery - Economy Plan: <ul style="list-style-type: none"> <li>• Plan currently being adapted to include in more detail the Covid-19 and EU Exit requirements.</li> <li>• The Sefton Economic Strategy (SES) Action Plan is being used as the "Foundation Document" for the Economic Recovery Plans</li> <li>• The SES A/Plan has been thoroughly reviewed and is fit for purpose for foundation of recovery planning.</li> </ul> <p>The SES A/Plan and associated recovery actions will report through the Economy Cell structure. The Economy Cell will report through the Growth board and Exec for Place.</p>		

	<ul style="list-style-type: none"> <li>• Covid related Grants will be managed effectively as all previous e.g. discretionary Grants and will report through the Economy Cell.</li> <li>• Growth programme - Will ensure through regular review and Stewardships that projects if applicable focus on recovery for the Economy</li> <li>• Ongoing business and Employment support via InvestSefton and Sefton@Work in context of and when required focused on pandemic and of EU Exit</li> <li>• Full engagement in regional growth-related forums</li> <li>• Establishment of multi-stakeholder working groups focused on recovery in key town centres.</li> <li>• Recovery planning activity in Southport underpinned by Town Deal opportunities</li> </ul>
<b>Risk owner</b>	HoEG&H
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Actively pursue opportunities for additional external funding via LCR/CA and HMG to develop projects</li> <li>• Investor proposition development and proactive business development activity to ensure attraction and retention of businesses and employers in the borough</li> <li>• Finalise Sefton-specific recovery plans and investor pack materials</li> <li>• Investor Material prepared, proactive engagement and business development ongoing. Additional funding from all sources followed up, Recovery Plan (outward version) ready and prepared with Comms Team. Strategic Recovery Plan - Economy being re-visited in lieu of current changing circumstances</li> </ul>

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>New risk – no previous score recorded</p>		<p>TBC</p>
<b>Causes</b>	<p>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.</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Increased business failure</li> <li>• Reputational Damage especially on projects declared already in the public domain.</li> <li>• Increased unemployment</li> <li>• Financial and reputational risks to the Council</li> <li>• Impact on communities.</li> <li>• Loss of reputation</li> <li>• Impact of wider economic change on residents, particularly the most vulnerable</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Growth Programme and associated Governance and project controls.</li> <li>• Bid process and expertise applied to all existing and new funding opportunities.</li> <li>• Members approval and prioritisation of existing and new projects.</li> <li>• Constant and consistent evaluation and use of Growth Budget.</li> <li>• Opportunities in respect to Capital receipts from asset disposal.</li> </ul>		
<b>Risk owner</b>	<p>HOS - EG&amp;H</p>		

<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Actively pursue all additional funding available in timely and at the earliest opportunity.</li> <li>Create and make available Bid Team focused on and challenged with successful bids.</li> <li>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.</li> <li>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.</li> <li>Develop and implement procurement strategy to ensure sustained competition, robustness of process and suitable partners for project delivery.</li> </ul>
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Risk Description	Previous risk score	Current risk score	Target risk score
Failure to adequately maximise the benefits of digital growth to the local community and businesses	New risk – no previous score recorded		
<b>Causes</b>	Budget reductions; inadequate funding levels and capacity to meet needs of strategy.		
<b>Result</b>	<ul style="list-style-type: none"> <li>Digital and technology is a key enabler within multiple workstreams of the authority and its transformation programmes as well as being recognised as a enabler of economic growth. Non-delivery across digital workstreams would impact on key workstreams and economic growth.</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>New and emerging challenges around digital infrastructure, inequalities and exclusion, and skills and training are addressed but a whole council approach is required to meet future challenges.</li> </ul>		
<b>Risk owner</b>	ED People		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Key workstreams have been developed around infrastructure (linked to LCR Connect ((the LCRCA Backhaul Network), Digital Training and Skills Board and Digital Inclusion (both business and community focussed). All report into Framework for Change 2020. Overarching purpose is to develop the vision across all themes and to actively seek out collaborative opportunities to meet that vision through partners, VCF sector, LCRCA, private sector provides and central government funding streams.</li> </ul>		

Risk Description		Previous risk score	Current risk score	Target risk score
ASC Workforce – recruitment, availability of suitably qualified staff and retention of current workforce		New risk – no previous score recorded		TBC
<b>Causes</b>	<ul style="list-style-type: none"> <li>• Inability to recruit qualified personnel - regional/nationwide issue</li> <li>• Working conditions and work pressures</li> </ul>			
<b>Result</b>	<ul style="list-style-type: none"> <li>• Increased waiting times leading to missed priority and extremely vulnerable service users</li> <li>• Poor service delivery and overspend on budgets</li> <li>• Poor quality assessment and support planning</li> <li>• Increase in service user complaints</li> <li>• Poor morale and higher turnover of staff</li> <li>• Increased management resource needed to deal with HR issues</li> </ul>			
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Staff induction and training and induction plans</li> <li>• Personnel and HR policies to address concerns around capability and performance</li> <li>• Process to monitor and manage staff absence</li> <li>• PDR process and assessment of training needs</li> <li>• Professional Practice Forum established</li> <li>• Robust training plan for ASYE Adults programme</li> </ul>			



	<ul style="list-style-type: none"> <li>• Regular staff training events in place</li> <li>• Core training offer in place including annual LAS</li> <li>• Empower staff to value continued improvement - Focus on reading time for front line staff</li> </ul>
<b>Risk owner</b>	HoASC
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Workforce Development Strategy drafted</li> <li>• New supervision policy agreed and implemented</li> <li>• Establish celebrating success through case studies and staff acknowledgement</li> <li>• Review flexible and weekend working</li> <li>• Apprenticeship scheme expansion</li> <li>• Develop clear succession pathways across the service</li> <li>• Establish robust performance management strategy</li> <li>• Work collaboratively with ADASS and its membership to identify long term solutions</li> <li>• Investigate creative options of utilising skilled but unqualified personnel / extending apprenticeship scheme for creating 'homegrown' talent</li> </ul>

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# Agenda Item 7

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	Risk and Audit Service Performance		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 8 September 2021 to 7 December 2021.

## Recommendation(s):

(1) Note the progress in the delivery of the 2021/22 Internal Audit Plans and the activity undertaken for the period 8 September 2021 to 7 December 2021.

(2) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in managing the Council's key risks

## Reasons for the Recommendation(s):

Approval of the recommendations will facilitate the continued provision of a comprehensive and effective Risk and Audit Service.

## Alternative Options Considered and Rejected: (including any Risk Implications)

Failure to provide an update on the progress, in particular, of the Internal Audit Service would be a breach of the Public Sector Internal Audit Standards.

## What will it cost and how will it be financed?

**(A) Revenue Costs** - There are no direct financial implications arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

# Agenda Item 7

**(B) Capital Costs** – There are no capital costs associated with the report.

## Implications of the Proposals:

<p><b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no resource implications arising from the report however the report does discuss the current activities to recruit temporary Internal Audit Team members within the existing budgets.</p>									
<p><b>Legal Implications:</b> There are no legal implications</p>									
<p><b>Equality Implications:</b> There are no equality implications.</p>									
<p><b>Climate Emergency Implications:</b></p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>Y/N</td> </tr> <tr> <td>Have a neutral impact</td> <td>Y/N</td> </tr> <tr> <td>Have a negative impact</td> <td>Y/N</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>Y/N</td> </tr> </table> <p>The Risk and Audit Team in line with Council and Government guidance during the lockdown and afterwards has been working from home with the exception of the Health and Safety Team who undertake periodic inspections of Council buildings to provide guidance and support.</p> <p>The working from home has reduced the teams commuting and as a consequence Carbon footprint. The revised working practices will continue with the proposed Council agile working although the footprint will slightly increase at this point as staff move to the one day per week in the office. There is currently no visibility when agile working will be introduced by the Council.</p> <p>We are currently exploring with the Council's insurers and broker their actions to reduce Climate Change which we will respond on in future reports following renewal when the information is available.</p>		Have a positive impact	Y/N	Have a neutral impact	Y/N	Have a negative impact	Y/N	The Author has undertaken the Climate Emergency training for report authors	Y/N
Have a positive impact	Y/N								
Have a neutral impact	Y/N								
Have a negative impact	Y/N								
The Author has undertaken the Climate Emergency training for report authors	Y/N								

## Contribution to the Council's Core Purpose:

<p>Protect the most vulnerable: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Facilitate confident and resilient communities: Providing an effective assurance service and assisting with the embedding of risk management within the service areas</p>

delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Commission, broker and provide core services: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Place – leadership and influencer: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Drivers of change and reform: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Facilitate sustainable economic prosperity: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Greater income for social investment: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Cleaner Greener: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

## **What consultations have taken place on the proposals and when?**

### **(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6632/21) and the Chief Legal and Democratic Officer (LD.4833/21) have been consulted and any comments have been incorporated into the report.

### **(B) External Consultations**

# Agenda Item 7

None

## **Implementation Date for the Decision**

Immediately following the Committee meeting.

**(Please delete as appropriate and remove this text)**

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## **Appendices:**

The following appendices are attached to this report:

- Risk and Audit Service 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 201/22 (as approved by this Committee on 17 March 2021)

## **1. Introduction**

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 Finance Service Manager.

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 8 September 2021 – 7 December 2021, and gives members a detailed overview of the following areas:
- Internal Audit:
    - o work undertaken in the period, including a summary of work and an outline of the high priority recommendations made
    - o performance against Key Performance Indicators
    - o developments relating to this part of the Service.
  - Health and Safety, Insurance, Assurance and Risk and Resilience:
    - o work undertaken in the period, with key data provided
    - o 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

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# Risk and Audit Service: Performance

Page 65

Agenda Item 7

Audit and Governance Committee  
15 December 2021

David Eden  
Chief Internal Auditor  
Risk and Audit Service  
Corporate Resources  
Magdalen House  
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# Contents

Page 66

1.	Executive Summary	Page 3
2.	Introduction	Pages 4 - 5
3.	Internal Audit Performance Update	Pages 6 - 12
4.	Health and Safety Performance Update	Pages 13 - 23
5.	Insurance Performance Update	Pages 24 - 30
6.	Risk and Resilience Performance Update	Pages 31 - 32
7.	Assurance and Counter Fraud	Pages 33 - 35
8.	Looking Ahead	Page 36
9.	Conclusions	Page 37

# 1. Executive Summary

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- 1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 8 September 2021 to 7 December 2021.
- 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

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- 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.

- 2.4 This report summarises the main aspects of the performance of the Service for the period 8 September 2021 to 7 December 2021, 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 Work Completed 1 September to 24 November 2021

During the period 17 audit assignments were completed and a further three assignments substantially completed at 24 November 2021. The table below outline the audits that have been completed, the audit opinion and the recommendations identified:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Corporate Governance Review 2020/21	Moderate (5 Significant)	7	0	0
Hudson Primary School (draft)	Moderate	3	4	0
Norwood Primary School	Moderate	0	3	4
St William of York (draft)	Moderate	3	1	2
COVID-19 Business Discretionary Grants	Moderate	2	4	0
Highways Maintenance – Contract Management (Draft)	Major	0	7	1
Cherry Road Children’s Home (Draft)	Major	2	3	1
ICT Security	Major	3	4	1
A59 Grant Certification 2021/22 Q1	Nil certification			
Cambridge Road Skills Hub – Skills Strand 1 Grant Certification 2021/22 Q1	Value of grant certified £20,448.82			
Cambridge Road Skills Hub – Skills Strand 1 Grant Certification 2021/22 Q2	Value of grant certified £338,926.75			
Southport Events Centre and Theatre	Value of grant certified £6,510.00			

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Buckley Hill 2021/22 Q2		Nil certification		
Crowland Street Housing Development 2021/22 Q2		Nil certification		
Bootle Area Action Plan 2021/22 Q2		Value of grant certified £5,065.35		
Bootle Town Centre Grant Certification 2021/22 Q2		Value of grant certified £5,648.28		
Troubled Families 2021/22 Period 2 Claim		Value of grant certified £60,800.00		
<b>Work substantially complete as at 7 December 2021</b>				
Sacred Heart Catholic College	Draft Report to be issued			
St John's Primary School, Waterloo	Draft Report to be issued			
Accounts Payable – Agresso Controls	Draft Memorandum has been prepared ready for review.			

**Draft Audit Reports previously reported to Audit and Governance Committee.**

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Farnborough Road Infants School Audit – draft report issued 2021/22 Q1	Moderate	0	4	1
Holy Spirit School Audit – draft report issued 2021/22 Q2	Major	3	4	2

The high priority recommendations outlined in the audit reports issued in the period 1 September to 24 November 2021 are summarised as:

#### **Corporate Governance Review 2020/21**

- Heads of Service should maintain Service Area Registers containing all employee declarations and submit the Registers to the Monitoring Officer annually.
- To comply with the conclusions of the Council's Ethical Working Group, a self-assessment should be undertaken against the LGA National Framework.
- Heads of Service should inform the Monitoring Officer of arrangements in place with partnerships to provide the Council with Third Party Assurances or alternatively ensure that Internal Audit have access to premises and records as required.
- Work continues on Succession Planning, Adult Social Care Workforce Review and other elements of Workforce Planning.
- Heads of Service should review their arrangements for the ensuring data quality and accuracy standards.
- Heads of Service are to develop and present reports to Cabinet annually in respect of the Council's wholly owned subsidiary companies.
- Further develop and embed risk management processes including training and the defining the Council's Risk Appetite.

#### **COVID-19 Business Discretionary Grants**

- The Revenues Manager and Business Development Manager should review the recovery status of a potentially overpaid grant. For future grants, management should ensure that payments are made to the appropriate bank accounts rather than individual of directors' bank accounts.
- The Business Development Manager should review and follow up National Fraud Initiative matches if required.

#### **ICT-Security**

- Information Governance and ICT policies should be reviewed.
- Departmental inventories of ICT equipment need to be compiled and reviewed against central records.
- ICT Security testing KPIs should be reported monthly.

#### **Cherry Road Children's Home**

- Budget allocations should be reviewed to ensure that they are sufficient to meet the objectives of the home.
- Regular budget monitoring should be undertaken.

#### **Hudson Primary School**

- The School should formally adopt both the *Financial Regulations for Schools* and the *Scheme for Financing Schools*.



- The Delegation of Duties and Responsibilities should be reviewed and approved annually.

### 3.2 Key Performance Indicators 2021/22

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 2021. Figure 1 shows progress made against the Audit Plan.

Description and Purpose	Target	Actual	Variance and Explanation
<p><b>Percentage of the Internal Audit Plan completed at 24 November 2021</b></p> <p>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.</p>	<p><b>65%</b> See graph below</p>	<p><b>40%</b> See graph below and narrative</p>	<p><b>25%</b></p> <ul style="list-style-type: none"> <li>• See section 3.3</li> </ul>
<p><b>Percentage of Client Survey responses indicating a “very good” or “good” opinion</b></p> <p>This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	<p><b>100%</b></p>	<p><b>100%</b></p>	<p><b>No variance</b></p>
<p><b>Percentage of recommendations made in the period which have been agreed to by management</b></p> <p>This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	<p><b>100%</b></p>	<p><b>100%</b></p>	<p><b>No variance</b></p>

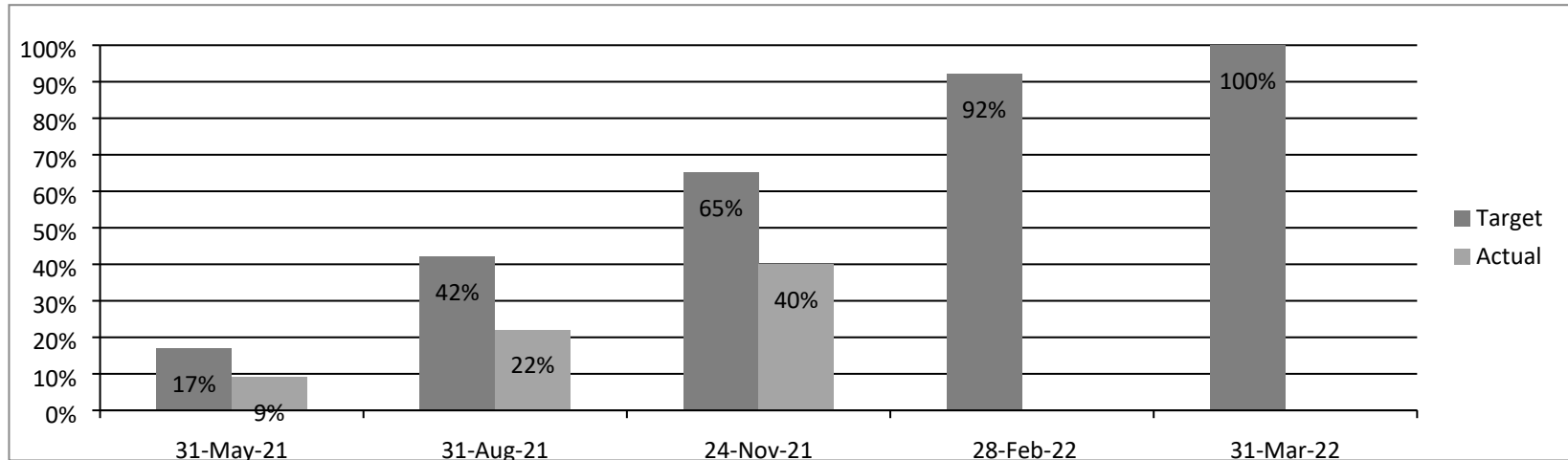


Figure 1: Percentage of the Internal Audit Plan 2021/22 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

### 3.3 2021/22 Resources and Performance

The small team continues to work well remotely as it has done since the start of the pandemic. Audits, by necessity are conducted differently to how they were previously by utilising technology. Communication with clients is mainly by MS-Teams and by email and in most cases this is effective. Systems documentation and information required for sample tests are obtained and reviewed electronically. Auditors use a variety of flexible approaches to ensure that their work can be completed to the appropriate professional standards whilst working remotely.

The Trainee ICT auditor is currently on maternity leave and will be absent at least until end of February 2022 and potentially until 1<sup>st</sup> April 2022. One Principal Auditor returned to work earlier in the year on a phased return after a period away with unplanned leave. On 30 November 2021 he has retired on grounds of ill health after 31 years service with the Council. A second Principal Auditor had reduced his hours from full time to part time from June 2021 and has subsequently been able to extend his hours by one day per week to provide further support to the team.

The Audit Plan was approved in March 2021, and the intention was for two Principal Auditors to be appointed on fixed term contracts until 31<sup>st</sup> March 2022 to deliver elements of the Audit Plan. Repeated recruitment exercises have been completed, advertising for traditional fixed term vacancies, using the Council’s preferred recruitment conduit Matrix and with specialist recruitment agencies since March 2021. As a result, numerous interviews have been conducted with potential candidates. I am pleased to confirm that a Principal Auditor was appointed during September 2021 on a fixed term contract until 31

March 2022 and it is hoped that a second Principal Auditor who has been appointed can begin work during December 2021 following the usual on-boarding process.

After discussions with a number of recruitment agencies we have been informed that there are far greater numbers of job opportunities than candidates available which is leading to a shortfall of suitable candidates to undertake the role. We have been advertising nationally and have interviewed candidates from across England as we are able to work remotely. The tight recruitment market is not forecast to change in the short term.

The difficulty in recruiting two Principal Auditors has seriously diminished the ability to deliver the target number of audits within the first five months of the year. The team has delivered approximately 40% of the audit plan against a target of 65%. With the proposed recruitment to replace the early retirement and with the anticipated recruitment of the second fixed term Principal Auditor the shortfall is unlikely to be recovered in the rest of the financial year.

Our intention is to focus on the key risks within the Annual Audit Plan for the remainder of the financial year, provide an update to the March Committee with any remaining audits being risk assessed for consideration in the 2022/23 audit plan.

We recognise that the performance is disappointing and reflect that the assurance level provided to the Committee is likely less than we originally planned at the outset of the financial year. The drivers for the performance have been on the whole out of our control however we recognise that we do not have significant capacity within the team for unplanned events where they occur which impact on our capacity to deliver assurance. Our intention over the next six weeks is to discuss the resourcing with S151 Officer benchmarking our current provision against peer teams across Merseyside as well as considering the future levels of assurance that the Committee requires.

#### 3.4 **Public Sector Internal Audit Standards**

In March 2018 the Internal Audit Service was externally assessed as “generally complies” with the Public Sector Internal Audit Standards. This was reported to the Committee at the time. Each year the Internal Audit develops and implements an Improvement Plan to enhance systems and processes to improve the service.

#### 3.5 **Developments**

Since the last Audit and Governance Report Internal Audit has:

- Continued to monitor staff wellbeing during the prolonged period of home working maintaining frequent regular contact with all team members.
- Completed the Corporate My Sefton My Space performance development reviews.
- Reviewed the frequency of the “Huddle” team meetings where staff update and share progress on audit assignments and share any issues or blockages that they are facing.

- Engaged with a specialist recruitment agency facilitating a Principal Auditor joining the team and an offer to a second candidate subject to references.
- Using the new database of outstanding audit recommendations, have begun the process of verifying implementation of previously agreed recommendations.
- Worked with the wider Risk and Audit Service to develop and monitor a process for ensuring all staff are undertaking mandatory training launched by the organisation in the Autumn.
- Provided advice and guidance to colleagues on an employment charity initiative.
- Extended the hours of one of the auditors to provide additional capacity
- Introduced a revised audit planning document designed to improve the collection of information has been introduced following staff suggestion.
- We have worked with Chief Monitoring Officer to shape the planned improvements for the governance of the Audit Committee including content for the on-line library.
- Provide guidance and challenge to the management of the pension overpayment

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

- Complete the recruitment of a Principal Auditor for fixed term period to provide cover for staff absences and assist in the delivery of the approved Audit Plan.
- Review options for further team strengthening following the ill health retirement of an experienced Principal auditor.
- The continued implementation of processes to reduce the backlog of audit recommendations that require following up and identify an effective way to report recommendations implemented and outstanding to this Committee.
- The further enhancement and simplify internal audit reports to improve clarity and reduce time spent producing the reports.

## 4. Health and Safety: Performance Update

### 4.1 Progress

The Council continues to focus on improving the health and safety management system and support by reviewing existing arrangements and improving governance.

The Health and Safety Team consists of two permanent and one fixed term (August 2021 – March 2022) health and safety professionals supporting nearly 8000 staff (including maintained school staff, and schools with a Service Level agreement in place), plus agency staff, contractors, and volunteers. A temporary administration support joined the team in January 2021 and moved to their permanent role in Finance at the end of August 2021. Resources continue to be stretched in meeting the demands of the Council and Schools and to satisfy the requirements of the Management of Health and Safety at Work Regulations. Long term recruitment opportunities are currently being explored to minimise the Council's health and safety risks. The team continue to deliver a range of services across all Council departments and schools. These services can be divided into three main areas: Policy and communication, operational reactive response and active monitoring.

Health and safety objectives and key performance indicators have been aligned to the Councils '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. It is acknowledged that outputs have been and are affected by the COVID-19 pandemic and the team have adjusted service delivery to assist the Council in meeting its obligations and to provide managers and staff with the relevant support.

Consultation arrangements are working well, with the Corporate Health and Safety Committee playing a key role in conjunction with the Departmental Health and Safety Committees. The committee meetings continue to be held virtually, using the MS TEAMS system, which has proved to be very successful.

Activities arising from the risk of the transmission of coronavirus 2 (SARS-CoV-2) has been significant, as operations, work and home environments have continually been adjusted throughout the various periods of restriction. The re-opening and recovery of service delivery has proved challenging for the Corporate Health and Safety Team, working with managers to balance COVID arrangements, compliance, and operational demand.

Significant support has been provided for reconvening of face-to-face and public facing activities, the reintroduction of school trips and increase in office occupation. The team have provided assistance, with Public Health colleagues in response to COVID positive cases or where anyone has been a 'contact' of a positive case across services and schools. Council building

and operational risk assessments have been reviewed providing assurance to Council managers and staff. A measured level of onsite support visits, inspections and audits have recommenced.

The health and safety audit process has been redesigned, with educational settings and service areas submitting evidence to the team and discussion via MS Teams. Evidence against practice is being verified during site inspections and observations.

Assistance, guidance, and monitoring continues to be provided across all areas, in collaboration with Public Health colleagues as the focus has moved from Central Government and formerly Public Health England to Sefton Council, as the employer, with requirements provided by The Health and Safety Executive.

The Health and Safety Executive continue to visit Schools and Council premises to assess COVID, stress management, statutory maintenance and other health and safety arrangements in place for staff. No significant issues have been identified during their visits.

The Council's Health and Safety Policy should be reviewed every two years and is currently being updated before being presented to Corporate Health and Safety Committee, SLB and Cabinet for approval over the next few months. The review was delayed due to further demands from COVID cases and recent security events. The Corporate Health and Safety Team have released security guidance for managers, staff and Councillors as a result.

Corporate minimum standards have been developed and published on the intranet. Documents and forms are issued to the Workplace Learning and Development Team for inclusion in training packages. Recent revisions and additions include updates on COVID-19, Stress, Well-being, Permit to Work systems, Statutory Maintenance, and the Security and Safety of People, Buildings and Assets. Work continues on Construction Design and Management (CDM), Fire Risk Assessment, Health surveillance and Accident Investigation. Methods of reaching staff who may not be digitally connected are being explored with the Communications Team.

The team continue to monitor the impacts of working from home, agile working, return to the office, workstation arrangements (Display Screen Equipment Regulations 1992) and the Stress Management Standards. The team have worked collaboratively with other service areas to ensure the Council's obligations are being met, whilst ensuring the physical, psychological and emotional health, safety and wellbeing of staff is maintained.

There has been a very positive response to the Mental Health training provided by the Workforce Learning and Development Team. The Corporate Health and Safety Team and (Occupational) Health Unit are exploring training provision or workshops for managers to equip them with the skills and confidence to identify workplace stressors, implement suitable controls, make available interventions available to staff through the Council, complete and monitor the stress risk assessment.

The Health and Safety Team have been instrumental in establishing a One Council working group to consider the wider occupational health, safety and wellbeing of staff. It consists of representatives from The Health Unit, Public Health, Workforce Learning and Development, Active Workforce, and Health and Safety, in addition to Union's representation. A well-being page is available on the health and safety intranet site and will be used to signpost managers and staff to various services.

The on-line incident reporting system continues to be well utilised with managers reporting accidents and incidents, as required. Managers are encouraged to report cases of workplace and non-workplace transmission. An exercise is in progress to extend reporting for incidents and near misses, support managers with proportionate investigation to prevent reoccurrence and limit insurance or enforcement intervention.

CLEAPSS was established as a Consortium of Local Educational Authorities for the Provision of Science Services. It now acts as an advisory service providing support in science, design, technology, and art for educational settings, and assists Local Authorities and schools in discharging their duties as an employer. The Health and Safety team and schools receive considerable support from CLEAPSS on health and safety, including radiation matters. A sizeable proportion of Sefton schools pay for the CLEAPSS RPA (Radiation Protection Adviser) Service. The Health and Safety Team continue to operate as a link between schools and the Radiation Protection Adviser, supporting school Heads of Science in the storage and use of radioactive sources. Desktop audits continue; however, this is now supported by onsite inspections.

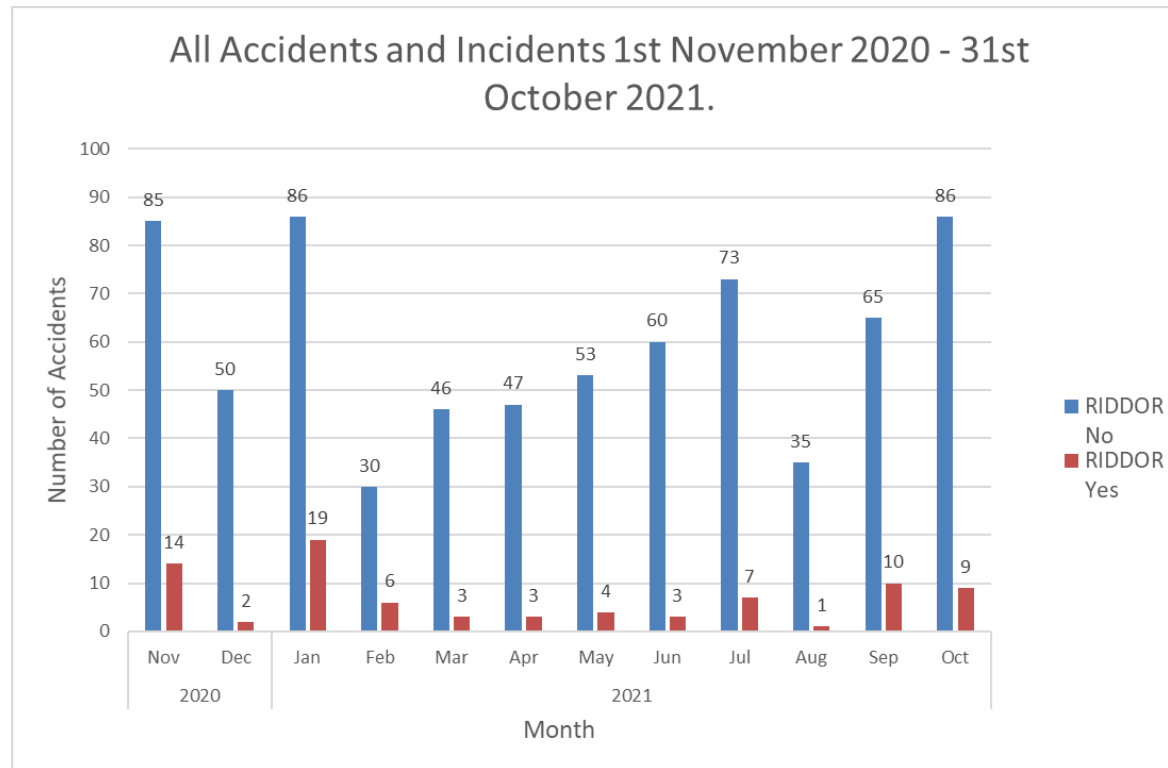
EVOLVE provide online services for schools, including a tool for planning and managing educational visits, after school clubs and sports fixtures. The Health and Safety Team continue to provide support and guidance to schools and their Educational Visit Co-ordinators (EVC). The EVOLVE system allows schools to upload risk assessments and other critical event information and take school staff through an authorisation process, which involves a schools internal Educational Visits Co-ordinator (EVC), Head Teacher, the Local Authority Corporate Health and Safety Team. EVOLVE have continued to provide live online training in conjunction with the Health and Safety Team. EVC training was provided in June 2021. A further course was delivered in November 2020. The format of the live online training proved very successful and further online training is being planned for the Spring term due to demand.

The North-West networking groups, Liverpool City Region H&S Advisers Group and Outdoor Education Adviser's Panel continues to meet virtually. The groups have proved invaluable for sharing information and good practice during the pandemic as guidance has changed so quickly. There are plans to introduce some face-to-face meetings in the late spring of 2022.

**4.2 Key Incident Data**

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

Graph 1 below compares accident and incident data over the past year. Most of the incidents reported over the past 12 months are Covid-19 related. The proportion of incidents involving workplace transmission of COVID-19 have again steadily increased.



*Graph 1: Accident and incident data - 1<sup>st</sup> November 2020 – 31<sup>st</sup> October 2021*

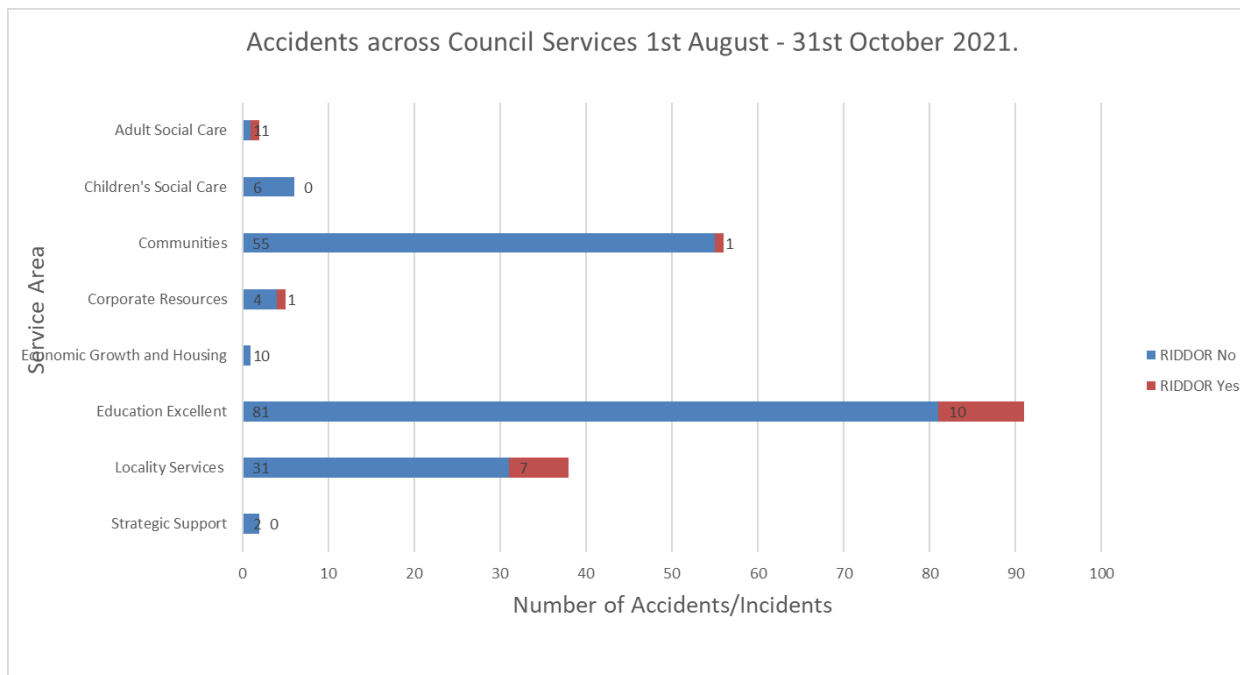


The variations in reporting throughout the year is consistent with the re-opening of schools and service areas and then implementation of pandemic restrictions where services have closed or been limited. The increase of reports raised in September 2021 highlights the continuing vulnerabilities of staff from exposure to COVID-19 during and suggests the need for a cautious approach during the Winter months.

Managers and staff continue to be encouraged to report all COVID-19 positive staff cases onto the Council health and safety accident and incident reporting system, although this is not exercised in all areas and at all levels. This supports the effective review of risk assessments, monitoring of control measures and facilitates the assessment of workplace and community transmission and impacts on both staff and service delivery and provision. The Health and Safety Team continue to work closely with Public Health colleagues on COVID—related issues and have greatly appreciated their ongoing support.

Data and trends appear to be consistent with National Trends (Source: HSE, National Statistics Office, Government COVID data). Where COVID rates have been lower, the data from the Councils reporting system shows that accidents and incidents reports continue to be raised for slips, trips, sports incidents, and cases of violence and aggression towards staff.

Accidents and incidents reported across the Council Services between 1<sup>st</sup> August and 31<sup>st</sup> October 2021 are in the graph below.



*Graph 2: Accident and incident data across Council Service Areas during the 3 months – 1<sup>st</sup> August and 31<sup>st</sup> October 2021.*

The highest level of reporting is within Education Excellent, Locality Services and Communities. This is consistent with previous years and is influenced by a positive reporting culture. Other factors include continued essential service delivery during the various pandemic restrictions. From late Summer, accidents in areas of high public footfall rose as they included school pupils and those attending sports and exercise facilities. Other than COVID-19 related reports, most of these accidents were slips and trips and contact sports / play injuries.

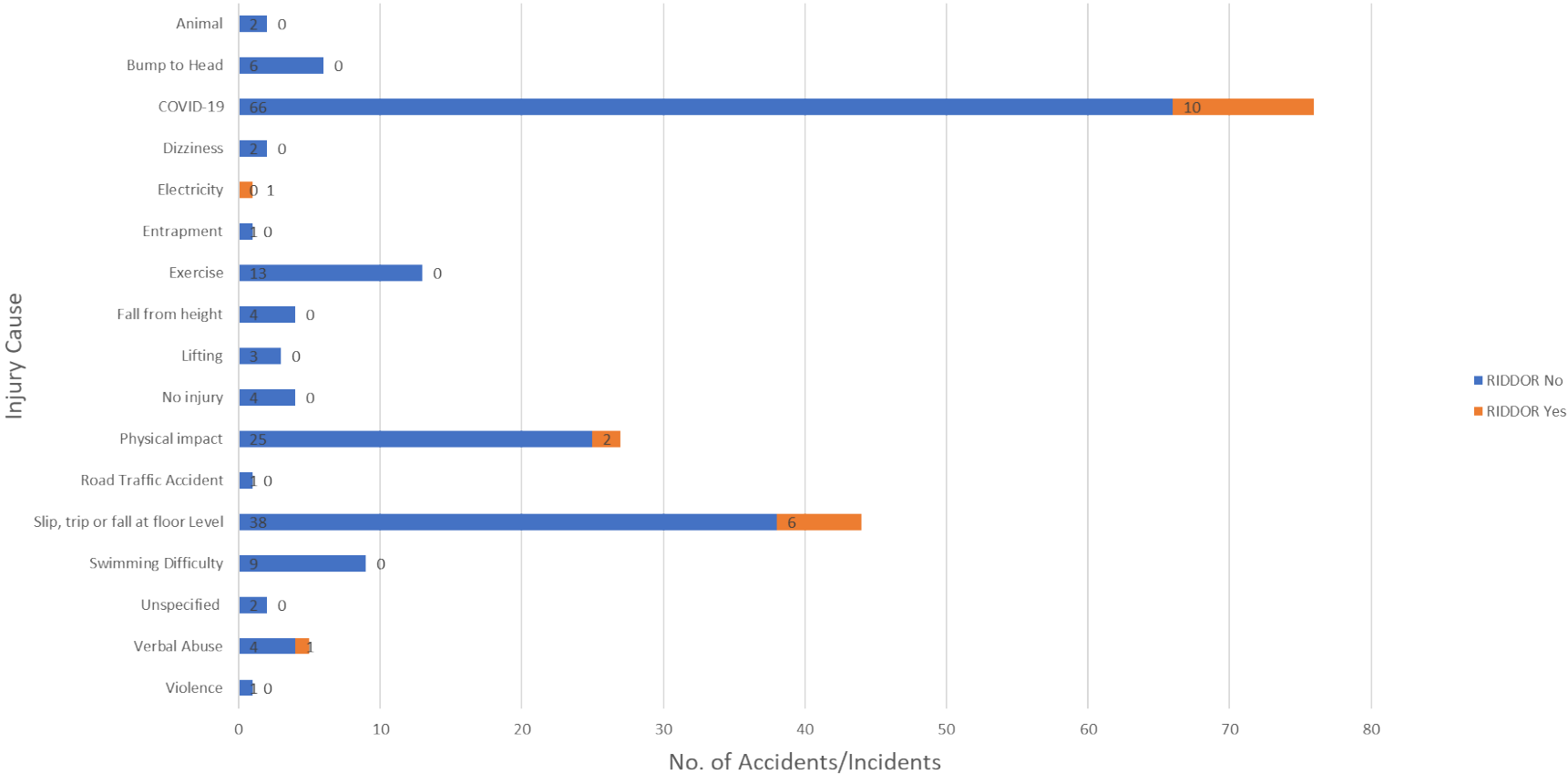
Services areas not listed have not raised any reports during this period. These include Public Health and Wellbeing and Commercial Services. This is due in part to staff working substantially from home.

The Corporate Health and Safety Team continue to promote a good reporting culture to manage the risk of injury, ill health and other potential and actual losses to the Council, including property damage from collisions or fire, presence of legionella in water systems and near miss incidents. The reports impact on the assessment of risk, and suitability and sufficiency of

controls and monitoring required. A positive reporting culture provides greater accuracy in accidents, incidents and near misses' data and enables the Council to identify trends and opportunities to prevent reoccurrence.

Graph 3 identifies the cause of accidents across Sefton Council from 1<sup>st</sup> August to 31<sup>st</sup> October 2021. As previously highlighted, the most common cause has been the transmission of Coronavirus (SARS-CoV-2). Not all cases have been as a result of 'workplace' transmission. Other common causes were due to slips and trips and contact sports / play injuries. The cases reported under RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013) are discussed below.

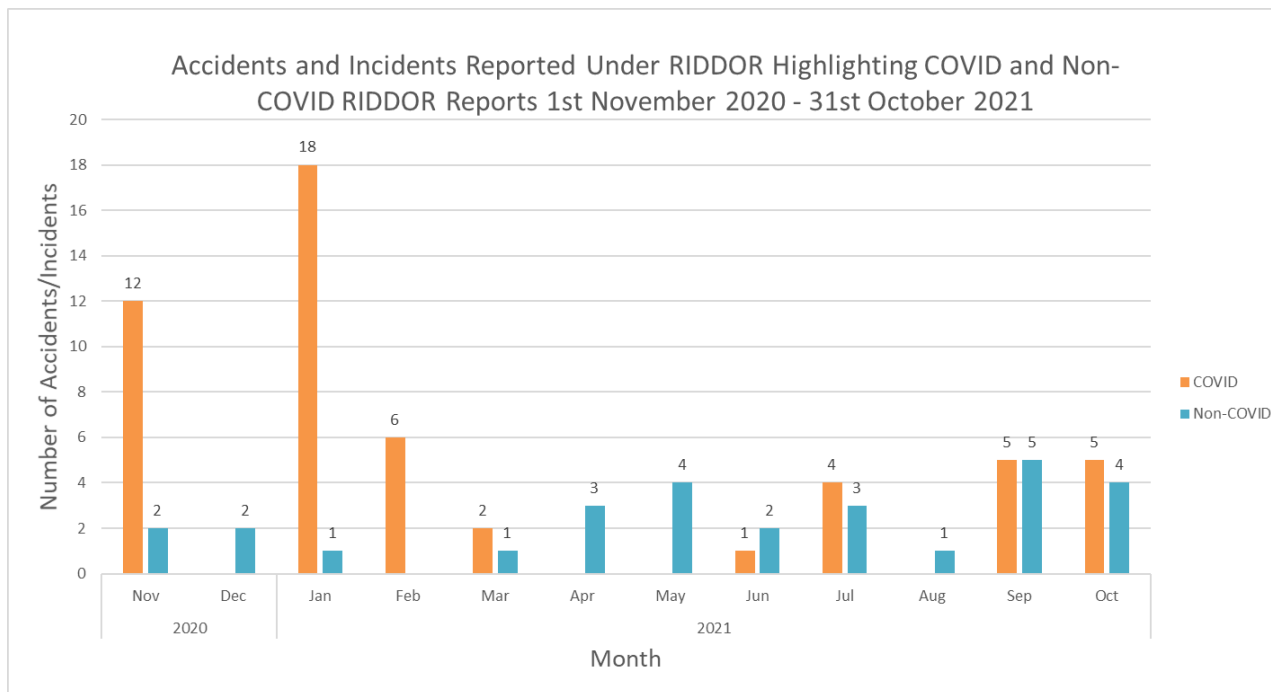
Accidents/Incidents by Cause 1st August - 31st October 2021.



*Graph 3: Accident and incident data by Cause during the 3 months 1<sup>st</sup> August to 31<sup>st</sup> October 2021*

Through discussions with staff and at Health and Safety Committees, incidents of threatening and abusive behaviour have remained, despite restrictions, although not always reported through the incident reporting system. Staff who have faced challenging behaviours are being encouraged by the Corporate Health and Safety Team and managers to report such cases. Managers and staff have been carrying out thorough investigations. The team are working with managers to ensure value and benefits of reporting and proportionate investigation are understood. Recent security events coupled with the increase of staff reporting instances of threats or actual violent or aggressive behaviours led to the release of guidance documents for staff and councillors. Further work is being undertaken to assess and implement change across the Council to improve personal safety.

Graph 4 below shows the number of notifications made to enforcement authorities and insurers under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), during the past year, also known as RIDDOR reports. The graph highlights the number of COVID (workplace transmission) and non-COVID related reports raised. There was a slight increase in the non-COVID RIDDOR reports raised between 1<sup>st</sup> August and 31<sup>st</sup> October 2021. Testing, vaccination programmes and an improved understanding of suitable risk control measures and monitoring may be positively influencing the level of workplace transmission. Instances of non-reporting under RIDDOR have been discovered and the messages to managers and head teachers have been reinforced.



Graph 4: Accident and incidents reported under RIDDOR, highlighting COVID and non-COVID RIDDOR reports.

The graph highlights the number of these reports raised across the year. Non-reportable cases are those where there is little or no evidence of workplace transmission. The service areas greatly affected by workplace transmission are understandably in Education Excellent, Children’s Services and Communities, where front line workers have continued to provide essential services and social distancing presents a challenge.

Accident reports raised under RIDDOR were mostly for fractures sustained from slips, trips and falls (on ground level). The Health and Safety Team have seen a significant rise in slips, trips and falls. This is typical when re-opening services or schools and would be anticipated during this period. The team have been aware that not all instances may be reportable under RIDDOR, however must still be reported to the team via the accident and incident reporting system. The team are planning a campaign to assist managers in reporting and investigating accidents and incidents during the autumn, to coincide with reopening and recovery of services and schools.

### 4.3 Developments

There will be a continued focus during the next quarter of delivering the new Health and Safety Improvement Plan and the ongoing recovery programmes from COVID-19 with planned priorities.

The team will be working with the health and safety sub-committees to review their improvement plans, lessons learnt and areas of good practice. The Health and Safety Team will:

Continue to support Managers and Head Teachers with COVID-19 recovery programmes. As national and local restrictions are adjusted in response to COVID-19 rates and risk assessments, there remains a requirement to manage the arrangements under Health and Safety law across all settings.

Continue to review, update and monitor the Health and Safety Standards and Policies, with focus on Fire Risk Assessments, personal and corporate security, driving for work, Dangerous Substances and Explosive Atmosphere Regulations, first aid provision and local emergency response.

The team will be leading a council-wide security working group to assess risks and consider appropriate controls.

Continue to develop the Council-wide training needs assessment which will build into the health and safety training plan and provision, in collaboration with the Workforce Development Team.

Work with senior managers to identify staff who require risk assessment or refresher training. Continue to support the delivery of risk assessment training for managers.

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.

Continue to deliver a health and safety management audit and inspection 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 are suitable and effective.

Engage with insurance brokers on their offer of free online training for Executive Directors, Heads of Service and managers.

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.

The team continue to support schools in the safe storage and where necessary, destruction of their radioactive sources.

The team have been collaborating with Public Health, Workforce Development, Trade Unions and the Health Unit with a Workforce Wellbeing Initiative.

## 5. Insurance: Performance Update

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### 5.1 Work Completed

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

- Renewal of insurances for the Council and associated subsidiary companies took place on 29 September 2021. As previously advised, the insurance market has hardened significantly with insurers focused on technical pricing to ensure profitability over market share with varying appetites for risks. The renewal proved extremely challenging, particularly in relation to the Material Damage policy which provides cover for the Council's building assets. As well as an initial increase of 8% in the insurance premium rating, the material damage insurer imposed conditions on a number of Council buildings to limit cover to demolition cover only or the implementation of work that they considered to be essential to maintain cover. Sums insured for the buildings were increased to reflect the surveys that were undertaken in the summer and an inflator of 4.6% used to reflect building cost inflation for the insurance year.
- The Material Damage insurer has undertaken a number of Risk Improvement Surveys over the past two years and in conjunction with service areas and schools, the Team have worked hard to ensure that as many of the RIA's have been rectified by service areas to minimise the effects of these conditions.
- Despite representations from the Council's Broker, a rating increase of 12.5% was placed on the Combined Liability policy and 8% on the Motor policy. Whilst this was disappointing it reflects the market in general and other local authorities have confirmed seeing similar or higher increases themselves. The majority of the other policies procured were maintained at the same or similar ratings as the previous year. The contract with the panel of insurers has now been extended into the optional two-year extension period of the 2018 tender and is due to expire on 28 September 2023.
- Following on from the previous revaluation exercise reported on in the last update, a further exercise, approved by Chief Officer and via agreed Contract Procedure Rules, is now underway for a further sample of Council buildings. The results of this are expected at the end of December 2021. Further consideration is now being given on how completion of the revaluing of the rest of the Council's portfolio can be undertaken to both satisfy insurers needs and also ensure that the Council has appropriate levels of cover. The decision on this will be advised in a future update.



- The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans, the Council's Solicitors.
- With the assistance of Weightmans, the Council was successful at Court in September 2021. The case related to a public liability slip/trip/fall claim, and the Judge found in favour of the Council as the third party had no evidence to dispute the Highways system of inspection under Section 58 of the Highways Act 1980. The claim held a reserve of £18k.
- Two further positive developments involve Employer's Liability claims. One matter, holding a reserve of £13.5k was withdrawn shortly after being received. The other claim, with a £40k reserve, was discontinued by the third party solicitors a week before being due to be heard at Court.
- The Team continues to work extensively 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. Invitations were recently extended to Green Sefton's Tree and Woodland Team to attend a series of webinars facilitated by the Council's insurance partners in relation to the tree risks landscape, litigation and risk management. The two Teams will meet in the near future to discuss how assistance can be provided in relation to a Tree Management Strategy for the Council.
- The last update advised that the Council's external claims handlers had been subject to a cyber security incident in the latter part of 2020. Following enquiries with the assistance of the Council's Data Protection Officer and ICT and Legal Services colleagues, the Team are pleased to inform that there had in fact been no Notifiable Cases and claimants personal data had not been compromised. The matter is therefore now closed.

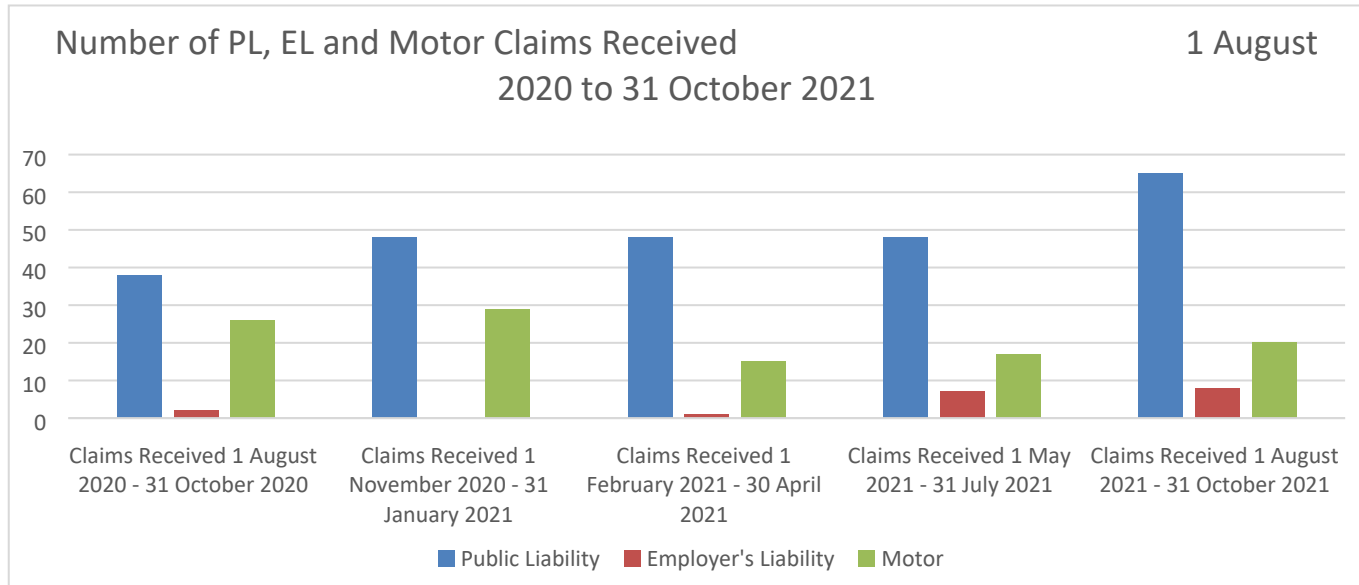
## 5.2 Key Claims Data

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 August 2020 to 31 October 2021.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 August 2020 to 31 October 2021.

- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 August 2020 to 31 October 2021.

The chart below outlines the number of claims for PL, EL and MV claims received for the period 1 August 2020 to 31 October 2021.



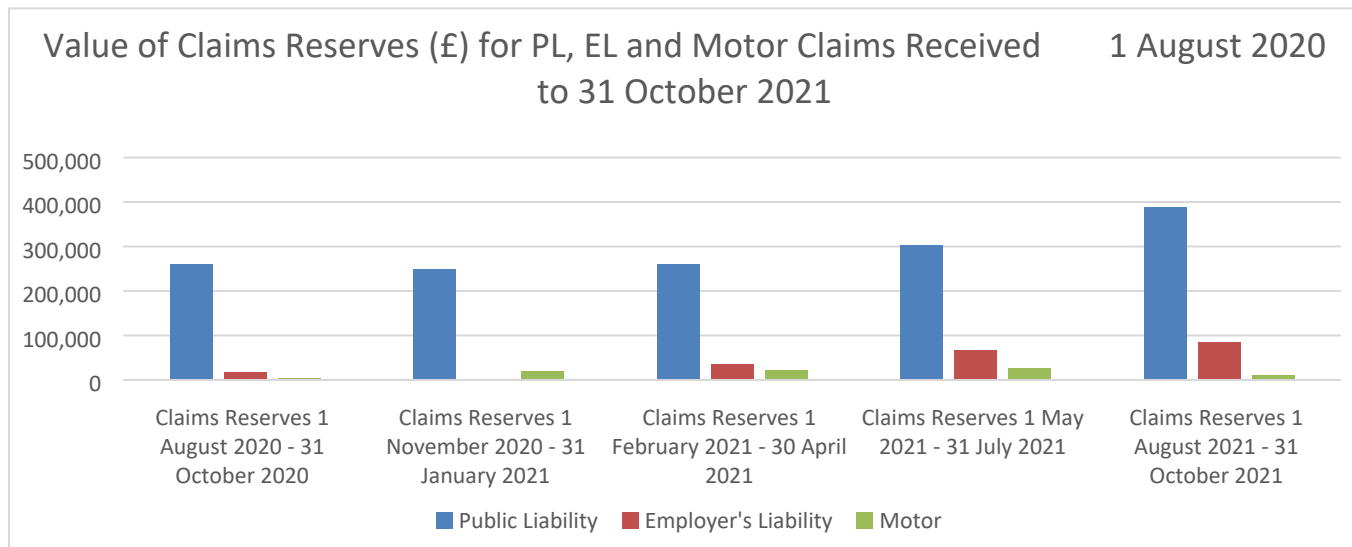
Public Liability claims numbers have increased by 35% from the last quarter where numbers had remained constant between quarters 2 and 4. There appears to be no obvious reason for this upturn. Overall numbers have increased 71% since the beginning of the reporting period. The Highways Service Area has the highest percentage (69%) of the claims received in the last period with 79% relating to personal injury.

Unfortunately, unusually high numbers of Employer's Liability claims continue, with an increase of 14% showing from the last quarter. There appears to be no pattern behind the claims so there is no real cause for concern, however Schools account for half of the claims received in the last quarter. Despite a significant increase of 300% between the first and last quarter of the reporting period, numbers remain average for the size of the Authority.

Although the number of Motor claims decreased dramatically in the third quarter of the chart above, they have steadily increased since and at the end of the period they are 18% higher than the previous quarter, although 23% lower than at the start of the overall period. Of the 20 claims received, 70% relate to own damage claims with the remaining 30% involving third parties. Half of the total claims received in the last quarter relate to the Cleansing service area which reflects the size of the fleet and operational duties undertaken.

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

**The chart below outlines the value of the reserves for PL, EL and MV claims received for the period 1 August 2020 to 31 October 2021.**



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.

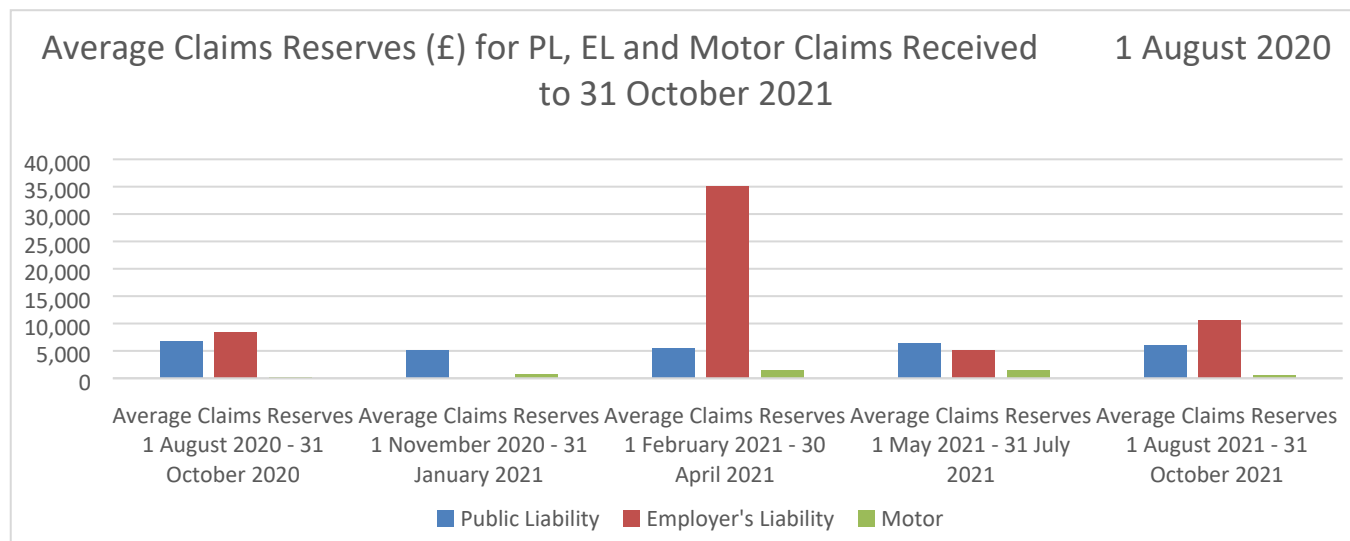
As would be expected due to the 35% increase in Public Liability claim numbers, reserves have also risen however equate to only a 28% increase, reflecting the type of injury and/or damage sustained by the third parties. Reserves have steadily increased during the overall period and end at 49% higher than at the start. Three of the claims received in the last quarter each have a current reserve of £20,000+ attached. At the other end of the spectrum there are 14 claims all with a reserve of £2,000 or under.

Following the increase in claims numbers, Employer's Liability claims reserves have also risen and stand at 29% higher than the previous quarter and a significant 401% than the start of the overall period. The highest individual reserve for the final quarter stands at £17,500 with the lowest being £9,000.

Although the chart shows that Motor claim reserves have decreased significantly in the last quarters there are a number of reserves still awaited for own damage claims. Realistically they should be in a similar range to the previous quarter based on the number of claims received. If this is not the case it will be reported in a future update.

The increase in claims reserves across the insurance programme is a reflection of industry claims inflation driven in part by the post-Covid-19 supply chain issues and general cost increases. Our increase in claims costs whilst disappointing is in line with the general picture and we will continue to monitor the costs.

**The chart below outlines the average value of the reserves for PL, EL and MV claims received for the period 1 August 2020 to 31 October 2021.**



Despite an increase in Public Liability claim numbers and claim reserves, the average claim reserve stands 6% lower than the last quarter and 13% lower than the commencement of the overall period which saw much lower claims numbers. This disparity reflects the type and severity of injury and/or damage sustained by the third parties.

Reflecting the increase in both numbers and reserves for Employers Liability claims, it is no surprise that the average claim reserve has increased in the last quarter by 108% and by 25% from the first quarter of the overall period. Again, the nature of injury sustained reflects these figures.

As explained previously not all Motor claim reserves have been reported. However, we believe that there will be no significant upturn in average claim reserves once the individual claim reserves are received.

Trends in claims performance will continue to be monitored.

### 5.3 Developments

- An exercise will shortly be undertaken to gain quotes from various Insurance Brokers to enable an Actuarial Report to be undertaken on the Council's insurance claims. This is a biannual requirement of the Council's External Auditors and will provide an analysis of current claims reserves, a forecast of expected ultimate losses after allowing for volatility and will

also comment on emerging risks within the sector. Ultimately it will determine if the Insurance Fund has sufficient reserves to fund current and future claims that may be presented.

- The Team have been utilising an insurance claims management system since 2015 and, although satisfied with its capabilities and performance will with the assistance of Procurement colleagues take steps to consider testing the market later in the year. Systems that have additional modules such as risk management and or health and safety which may assist other teams with additional functionality within the Risk & Audit Service will also be considered.
- Discussions continue with the Highways Team regarding changes required within their safety inspection systems to adopt a risk-based approach and comply with the requirements of the Highways Code of Practice 2018. It is hoped that Highways will formally adopt the Code of Practice before the end of this calendar year.
- 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, where appropriate, relevant insurance cover is sourced and procured. The Team is currently seeking advice on how best to provide insurance cover for the developing Council's wholly owned hospitality company, Sefton Hospitality Operations Ltd.
- In consultation with Health and Safety colleagues, the Team continue to make use of the remaining allocation of free of charge Risk Management Days made available as part of the current liability insurance contract. These are utilised to provide service areas with training or advice for their specific roles. Consideration is currently being given to offering health and safety training (IOSH Directors training) to the Council's new Heads of Services and a consultation with Highways colleagues on their current Winter Service Policy. A proportion of the days has been agreed to be used to provide an e-learning course content on risk management awareness which will be launched to colleagues in the next six months.

## 6. Risk and Resilience: Performance Update

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### 6.1 Work Completed

The team have considered developments across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan has been produced for 2021/22.

A six-monthly review of Business Continuity plans from each Service area is being undertaken by the team. As part of the regular review, each plan is being revised to incorporate details of key IT systems used within the service, further identifying the timescales within which these systems need to be restored and the minimum number of staff requiring access. This is in recognition of the significant reliance we have on IT and the considerable changes we have experienced since the plans were initially produced. A document has been produced to capture details of 'key suppliers' business continuity arrangements within each service. These documents have been shared with each service area and responses will be compiled to further enhance BC plans.

The team planned and delivered a Crisis Response Team Building and training event, held at Netherton Activity Centre. Merseyside Fire and Rescue Service were invited to give a presentation about Joint Emergency Services Interoperability Principles (JESIP) and relevant major incidents that have happened in Merseyside. A health and safety colleague delivered training around dynamic risk assessment and ensuring safety of volunteer team members. Attendees took part in several group activities to enhance their capability. The event was well attended, and positive feedback was received.

Work is continuing to produce further training materials for the Crisis Response Team which will be the focus of future events planned for the team.

Large scale events are now permitted to take place following the lifting of Covid restrictions and this, along with the run up to Christmas season, has led to numerous event plans being submitted for review by Sefton Event Safety Advisory Group (SAG). The team are members of this forum which meets with event organisers to seek assurance that all safety considerations have been met.

The Merseyside Resilience Forum (MRF) has resumed its business plan for the coming year and the team continue to be engaged in various working groups to plan and deliver multi-agency programmes of work.

The Council plan for the disruption to fuel supplies were reviewed at the time of the media reporting in October 2021 and incidence of fuel shortage at the pumps. The plans were refreshed but were not required to be activated.

A member of the team attended a winter planning event to discuss and share good practice of preparedness and arrangements in place for upcoming winter.

Risk and Resilience team members met with Internal Audit colleagues to consider improvements and developments to the Risk Management system within the council. It has been agreed we will meet quarterly to discuss findings and in which areas progress can be made.

Sefton has a number of senior officers who are new to the Emergency Duty Coordinator role (EDC). The team have been supporting two of these officers who were on duty during the recent security incident as all Merseyside Local authorities were involved in the multi-agency coordination meetings.

The Corporate Risk Register has been reviewed and is due to be presented to the Audit and Governance Committee for approval. An alternative, enhanced method of updating the register has been introduced to ensure improved visibility and engagement in the process is achieved. Meetings with risk owners continue to be held virtually to ensure ongoing improvement to risk management arrangements across the Council.

## 6.2 Developments

- Major incident plans and processes will continue to be reviewed and associated risk assessment of operational activities documented to ensure safe working for members of the team and colleagues, partners and stakeholders.
- The team are considering a number of digital systems to manage and report for risk management requirements using existing software.
- Plans are being drawn up for undertaking a Business Continuity Exercise with members of SLB.
- Completing the six monthly review of the business continuity plans and consider the activation process for each plan.
- During the quarter a request will be made to service managers to provide their latest Operational Risk Registers. The team will then work with these to ensure consistency in recording operational risks and confirm the risk escalation process is being adhered to.



## 7. Assurance and Counter Fraud: Performance Update

### 7.1 Work Completed

A sample of around 500 assurance checks across a range of Council Tax Discounts and Exemptions has been undertaken by the Assurance Officers within the Risk and Audit team and their findings will form part of a Council Tax audit report.

The Council's participation in the Cabinet Office National Fraud Initiative has continued to see data matching exercises being undertaken for the following data sets during the last quarter: -

- Mortality Screening - Council Tax Reduction Scheme, Blue Badges and Pensions
- Housing Waiting List - to identify where an individual appears to have registered on the waiting list using a different address to the one on the waiting list suggesting possible undisclosed changes in circumstances or that false information has been provided.
- Covid Grant recipients
- Payroll fraud - employees who may be committing employment fraud because they are employed elsewhere.

The Council's Corporate Debt team in Legal Services is now currently seeking recovery of a pension overpayment due to a failure by the Executor(s) to notify of the death of a pensioner approximately twenty years ago. The overpayment is the smaller part of a larger external pension payment that has been erroneously paid to the deceased pensioner. The investigation was initially reported to and investigated by the HR Team.

The Council does actively investigate pension matches through the Government's annual National Fraud Initiative which provides details of deaths that have been reported in the UK only. There are, however, some known issues with the completeness of the information that is supplied through the initiative and as it is a backward-looking control and in this case would not have necessarily picked up the notification. A good practice counter fraud control to prevent payments in similar situations is carrying out "proof of life" checks on pensioners at regular intervals. It is reasonable for the Council to expect repayment of a pension overpayment from a deceased persons estate, and we are seeing some progress in our ongoing investigations. Further updates will be provided to the Committee.

As part of on-going work the team undertake the validity of a lease supplied in respect of occupation of a property of a business claiming a business support grant was referred for further investigation.

## 7.2 Developments

Business Support Grants and Business Rates datasets were mandated as part of The Cabinet Office's 2020/21 National Fraud Initiative (NFI) Work Programme data matching exercise in order to identify potential fraud. Sefton Council's Grant recipient datasets for the Small Business Grant Fund, the Retail, Hospitality and Leisure Grants Fund and Local Authority Discretionary Fund Grants Fund data were submitted in January 2021. The results of the data matching were released to the Council on Friday 14 May 2021 and the Council will be following up the data matches between now and 31 December 2021.

Data matching is undertaken based on established NFI methodologies to identify potential fraud in relation to:

- multiple grants paid to businesses within or between LA's.
- duplication between grant schemes where relevant; and
- payments made to business or individuals flagged in proven fraud 'watchlist' data, where available.

The Council's Counter Fraud Strategy (draft) is to be consulted on with the Strategic Leadership Board. As part of the Counter Fraud Strategy the Council has already reviewed its arrangements against the latest Fighting Fraud and Corruption Locally (FFCL) Strategy (2020) which is the Local Government blueprint for tackling fraud in Local Government.

In September 2021 the Cabinet Office updated the Government Counter Fraud Professional Standards and Guidance- "Investigation Core Discipline". Consequently, we will now be conducting a self-assessment for Sefton against these standards.

Part of the Council's Fraud Strategy involves developing more capability and capacity within the Council to identify and punish fraudsters. During the early part of November 2021 in line with actions identified in the Annual Governance Statement, and to ensure compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council looked to recruit an Accredited Counter Fraud specialist on a fixed term basis to assist in the delivery of some key projects within the counter fraud work programme and play an active role in influencing and embedding an anti-fraud culture across the Council, liaising with operational managers on fraud risk controls etc. Regrettably, there was no response to that advertisement, so we are now looking into alternative recruitment options.

A Counter Fraud Annual Report been produced. The purpose of the Counter Fraud Annual Report 2020-2021 is to provide assurance to the Audit and Governance Committee on the effectiveness of Sefton Council's arrangements in countering fraud, bribery and corruption and to present the work carried out during the past financial year to minimise the risk of fraud.

The Council continues to participate in the Merseyside Regional Fraud Group to jointly develop and share best practice in Counter Fraud through a number of approaches, including information and knowledge sharing, policy and procedure development and joint working where appropriate.

As part of its membership of the Government's National Anti-Fraud Network Data and Intelligence Service (NAFN) the Council continues to receive regular intelligence alerts which are shared with the Council's operational managers and, where relevant, our Schools and Academies. These have included a spate of similar issues during recent months: -

- COVID pass fraud
- Head Teacher Impersonation Fraud (creditors)
- Staff Salary Mandate Fraud
- Supplier Bank Mandate Fraud

In respect of salary mandate fraud, it has been suggested that employee victims can often have a strong online presence which suggests the fraudsters can become aware of their employers using online methods or social media. Our Corporate Communications team has been approached with a view to publishing information and guidance on the staff intranet to help minimise the chances of being scammed. Whilst our payroll teams in Sefton are vigilant and kept updated on these scams, we feel it may be worthwhile for a reminder to all staff regarding any social media presence and potential risks.

The three members of the Assurance Team have been seconded until 31<sup>st</sup> March 2022 to the Business Grant Team to assist in the administration of the Liverpool City Region Grants.

## 8. Looking Ahead

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- 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 embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
  - Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
  - Continued delivery of the Internal Audit Plans for 2021/22, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes particularly in light of Covid-19.
  - Undertake limited testing of existing business continuity plans and refresh the existing BC plans.
  - Completion of the review of the Health and Safety Policy, work on developing wider occupational health, safety and wellbeing of staff and the finalising of the Annual Health and Safety Report.
  - Developing the Council's Counter Fraud approach firstly through rolling out the actions from the CIPFA Fraud Risk Assessment.
  - Delivering on the service improvement plans for the Risk and Audit Team.

## 9. Conclusions

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- 9.1 Internal Audit has made limited progress in the completion of the Internal Audit Plan 2021/22 due to difficulties in recruiting suitable internal audit staff. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service.
- 9.2 The Council's accident record continues to be positive 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 has been continuing to respond to the significant impact of Covid-19 helping to ensure that management put appropriate risk assessments are in place and provide guidance and support to colleagues.
- 9.4 The Council's insurance claims performance remains good.
- 9.5 Further work is planned to improve risk management within the Council by ensuring that a risk appetite is developed and ensuring 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 There are clear implementation plans in place across each of the service areas to deliver improvements which will result in improved services as well as an integrated risk and audit approach.

# Agenda Item 8

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	The Follow up of Audit Agreed Actions		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.

For Sefton Council the follow up of agreed audit action plans includes the monitoring of progress of audit agreed actions through internal audit and periodically reporting progress to the Audit and Governance Committee.

This report summarises the current implementation position and arrangements for monitoring and reporting internal audit recommendations.

There has been considerable progress in the implementing of audit agreed actions which will improve the Council’s internal control framework. Covid-19 has had an impact on the delivery of actions however there are pockets where progress has been limited for example Adult Social Care debt where progress has been slower than expected although management have agreed to implement the outstanding internal audit actions.

## Recommendation(s):

(1) Members are requested to note the progress outlined in the report.

## Reasons for the Recommendation(s):

The report provides transparency on the progress in implementing known weaknesses in the Council’s control framework and provides assurance on an aspect of the Committee’s Terms of Reference.

# Agenda Item 8

**Alternative Options Considered and Rejected:** (including any Risk Implications)

None

**What will it cost and how will it be financed?**

**(A) Revenue Costs** – There are no direct revenue costs from this monitoring report

**(B) Capital Costs** – There are no direct capital costs from this monitoring report

**Implications of the Proposals:**

<p><b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no direct resources implications from this report.</p>									
<p><b>Legal Implications:</b> There are no legal implications</p>									
<p><b>Equality Implications:</b> There are no equality implications.</p>									
<p><b>Climate Emergency Implications:</b></p> <p>The recommendations within this report will</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Have a positive impact</td> <td style="width: 20%; text-align: center;">N</td> </tr> <tr> <td>Have a neutral impact</td> <td style="text-align: center;">Y</td> </tr> <tr> <td>Have a negative impact</td> <td style="text-align: center;">N</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td style="text-align: center;">Y</td> </tr> </table> <p>The report has a neutral impact as the report provides a monitoring position on the implementation of agreed audit actions by management. So far there are no climate change related agreed actions that have been highlighted in audits although this position is likely to change going forward.</p>		Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	Y
Have a positive impact	N								
Have a neutral impact	Y								
Have a negative impact	N								
The Author has undertaken the Climate Emergency training for report authors	Y								

**Contribution to the Council’s Core Purpose:**

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive



Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener: neutral

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6630/21) and the Chief Legal and Democratic Officer (LD.4831/21) 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 / Council meeting.

<b>Contact Officer:</b>	David Eden
Telephone Number:	0151 934 4053
Email Address:	david.eden@sefton.gov.uk

## Appendices:

None.

## Background Papers:

There are no background papers available for inspection.

## 1. Background

1.1 In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”.

1.2 In the Audit and Governance Committee’s Terms of Reference presented to and approved by the Members in September 2021 the following is stated;

# Agenda Item 8

“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.*

1.3 The work plan for the Committee, approved in September 2021, details that a report will be provided annually to the Committee outlining the progress on the implementation of the agreed audit actions.

1.4 The standard practice for audits that are undertaken is that where control weaknesses are identified the weakness and the associated recommendation(s) are shared with the management team both verbally during the audit, at the closing meeting and in the draft report. The gradings for the risks are

**High** - A matter that is **fundamental** to the system under review. The recommendation should be addressed as a matter of urgency.

**Medium** - A matter that is **significant** to the system under review.

**Low** - A matter that **requires attention** and would improve the system under review.

1.5 Management are encouraged in this process to be aware of the issues early in the process which should enable them to consider how to implement the recommendation effectively in a cost effective, efficient and timely manner and finally when they receive the draft report to draft a formal response outlining their action and the timescale when the action will be implemented. The expectation is that management will when providing a response have consulted internally with other stakeholders on the practicality of the implementation and the timescales particularly where the recommendation relies on support from other teams.

1.6 The recommendation becomes an agreed action once the management provide a formal response outlining the action and the proposed completion date to the weakness(es) that have been identified in the audit. The timing of the action should be linked to the risk rating of the agreed action for example high risk ideally should be completed within three to six months of the audit completing.

1.7 Internal Audit monitor the completion of the agreed actions and where appropriate obtain from management confirmation that the action has been completed as well as evidence on the following basis:

- High risk agreed actions - written confirmation action has been implemented as well as evidence in 100% of the actions.

- Medium risk agreed actions - written confirmation action has been implemented as well as evidence in a sample of the actions.
- Low risk agreed actions - written confirmation action has been implemented and obtain information at the next audit of the area.

1.8 Where the action has not been implemented, we will seek to obtain a revised completion date.

## 2. Progress

2.1 There have been understandable delays in progressing some of the agreed actions as officers across the Council have been refocused on unplanned essential activities that were and are still required to respond to the pandemic. As a result, Internal Audit have engaged with services to understand the impact on timescales agreed pre-Covid19 and what the realistic, achievable revised dates for completion of actions is now likely to be. This work will continue, and proposed changes will be shared with Audit and Governance Committee.

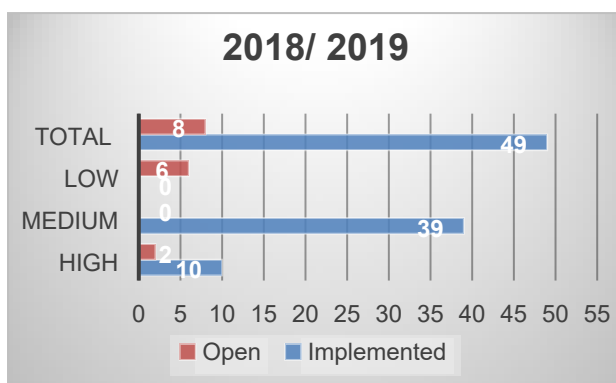
2.2 We are reporting progress for the past three financial years

- 2018 - 2019
- 2019 - 2020
- 2020 - 2021

2.3 **2018 – 2019:** The progress is detailed in the following table and graph.

2018/ 2019 financial year	Implemented	Open
<b>High</b>	11	1
<b>Medium</b>	39	0
<b>Low</b>	0	6
<b>Total</b>	<b>49</b>	<b>8</b>
<b>Total Recommendations</b>	<b>57</b>	

Graph 1. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2018/2019 financial year.



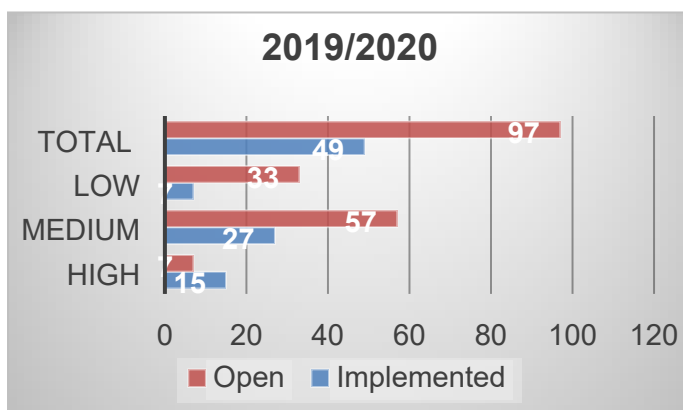
Of concern is the one outstanding agreed high risk action which will be shared at the Committee meeting. It can be seen within this analysis that the vast majority of recommendations made have been implemented. This would be expected as this will have occurred during 2018/19 and 2019/20 ie pre pandemic.

# Agenda Item 8

2.4 **2019 – 2020:** The progress is detailed in the following table and graph

2018/ 2019 financial year	Implemented	Open
<b>High</b>	15	7
<b>Medium</b>	27	57
<b>Low</b>	7	33
<b>Total</b>	<b>49</b>	<b>97</b>
<b>Total Recommendations</b>	<b>146</b>	

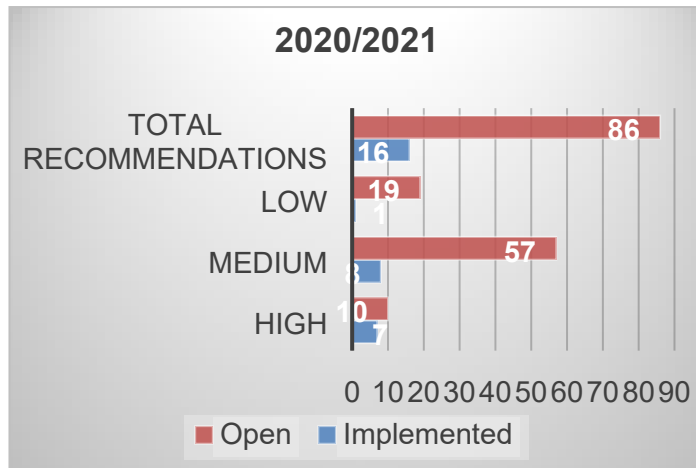
Graph 2. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2019/2020 financial year



2.5 **2020-2021:** The progress is detailed in the following table and graph

2020/2021 financial year	Implemented	Open
<b>High</b>	7	10
<b>Medium</b>	8	57
<b>Low</b>	1	19
<b>Total</b>	<b>16</b>	<b>86</b>
<b>Total Recommendations</b>	<b>102</b>	

Graph 3. detailing the numbers of high, medium and low risk agreed actions with the status of whether opened or implemented for the 2020/2021 financial year



- 2.6 Of particular concern is the delays around some of the actions within the Adult Social Care (ASC) Debt Audit completed in May 2019 which had a major risk opinion. There were 30 agreed actions with 14 remaining outstanding with a mixture of high and medium risks. Management have provided on a number of separate occasions revised dates to implement the actions however when followed up these remain outstanding. It is important due to the risk presented in this area that these are addressed as a priority.
- 2.7 In order to support this, the service have been engaged to agree a revised implementation programme. A senior responsible officer is to be appointed to lead this work and progress will be reported to the committee of progress being made at each future meeting. it is acknowledged that Covid-19 will have had significant impact on the capacity address all of the recommendations however it is important that progress is made in an expedient manner with a detailed update being provided to members in June 2022 by the service if this has not occurred
- 2.8 As stated there is some considerable progress on the 2018/2019 actions with just one outstanding high recommendation and all medium risk actions implemented.
- 2.9 The progress in implementing the actions for 2019/20 and 2020/21 has not been at the level agreed to previously. This reflects the reduced capacity of the organisation which has been focused on the pandemic response over the past 18 months during which most of these recommendations should have been implemented. As the pandemic has waned from the early stages there is now capacity to deliver the outstanding actions and this requires focus. There has been some progress in delivering actions and the internal audit team will continue to monitor progress as well as provide updates to the Committee during the next financial year. Should the position for these two years not improve we will work with management to ensure that there is suitable priority given to the outstanding actions.

### 3. Summary

- 3.1 Substantial numbers of the 2018/2019 audit agreed actions have been implemented with only one high risk action outstanding. Whilst progress has been more limited in 2019/20 and 2020/21 this has been due to the Council's limited capacity to undertake improvements whilst responding to the pandemic.

# Agenda Item 8

- 3.2 The one area of concern is the ASC debt for which internal audit has a proposed response but this has yet to be implemented.
- 3.3 Taking the capacity issues into account across the Council progress on the whole has been satisfactory and we expect that as the pandemic ebbs the implementation profile of the actions will improve. We will continue to closely monitor the progress and report to the Committee regularly over the next financial year.

# Agenda Item 9

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	Annual Fraud Report		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

The purpose of the Counter Fraud Annual Report 2020-2021 is to provide assurance to the Audit and Governance Committee on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and to present the work carried out during the past financial year to minimise the risk of fraud.

The purpose of this report is to:

- Provide an update on counter fraud activities during the period 1 April 2020 to 31 March 2021.
- Demonstrate how the Council is dealing with some of the fraud risks it is subjected to.
- Outline how resources available have been used to tackle fraud and emerging priorities going forward

## Recommendation(s):

(1) Members are requested to note the progress detailed in the report.

## Reasons for the Recommendation(s):

The report meets one of the key actions from Sefton's self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice and therefore is good governance.

## Alternative Options Considered and Rejected: (including any Risk Implications)

None due to providing a report is good governance and is in accordance with CIPFA guidance on the management of fraud.

# Agenda Item 9

## What will it cost and how will it be financed?

- (A) **Revenue Costs** - There are no direct revenue costs arising from this report as the report highlights activity undertaken by the Assurance Team to prevent fraud.
- (B) **Capital Costs** - There are no direct financial revenue costs arising from this report

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no resource implications arising from the report as it is a summary of existing activity during the previous financial year.	
<b>Legal Implications:</b> There are no legal implications arising from the report as it is a summary of existing activity during the previous financial year.	
<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b>	
The recommendations within this report will	
Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
The report has a potential positive impact as preventing and or recovering fraud can ensure that more public monies are available to be spent on the key priorities for the Council including helping to mitigate the effects of Climate Change.	

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: Positive impact
Facilitate confident and resilient communities: Positive impact
Commission, broker and provide core services: Positive impact
Place – leadership and influencer: Positive impact
Drivers of change and reform: Positive impact
Facilitate sustainable economic prosperity: Positive impact
Greater income for social investment: Positive impact



Cleaner Greener: Positive impact
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## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6629/21) and the Chief Legal and Democratic Officer (LD.4830/21) 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 / Council meeting.

<b>Contact Officer:</b>	David Eden
<b>Telephone Number:</b>	0151 934 4053
<b>Email Address:</b>	david.eden@sefton.gov.uk

## Appendices:

The following appendices are attached to this report:

- Annual Fraud Report 2020/21

## Background Papers:

There are no background papers available for inspection.

### 1. Introduction/Background

- 1.1 The purpose of the Counter Fraud Annual Report 2020-2021 is to provide assurance to the Audit and Governance Committee on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and to present the work carried out during the past financial year to minimise the risk of fraud.
- 1.2 This supports the requirements of the Accounts and Audit Regulations (England) 2015, which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.
- 1.3 The report also meets one of the key actions from Sefton's self- assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice. Audit and Governance Committee receives regular quarterly updates on counter fraud activity of the Assurance Team.

# Agenda Item 9

1.4 Management of the Council's 'Whistle Blowing' arrangements are the responsibility of the Council's Chief Legal and Democratic Officer and is reported on separately.

1.5 The purpose of this report is to:

- Provide an update on counter fraud activities during the period 1 April 2020 to 31 March 2021.
- Demonstrate how the Council is dealing with some of the fraud risks it is subjected to.
- Outline how resources available have been used to tackle fraud and emerging priorities going forward.

## **2. Recommendation**

2.1 Members are requested to note the report.

# Counter Fraud Annual Report 1 April 2020 – 31 March 2021

# Agenda Item 9

## Contents

1	Introduction .....	2
2	Executive Summary .....	2
3	Key Mechanisms – Policies and Procedures .....	3
4	Risk based planning to minimise the risk of fraud .....	4
5	Work carried out in 2020-2021.....	4
7	Training and awareness .....	7
8	Conclusion.....	8

## 1 Introduction

- 1.1 The purpose of the Counter Fraud Annual Report 2020 -2021 is to provide assurance to the Audit and Governance Committee on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and to present the work carried out during the past financial year to minimise the risk of fraud. This supports the requirements of the Accounts and Audit Regulations (England) 2015, which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'. This also meets one of the key actions from Sefton's self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice
- 1.2 Management of the Council's 'Whistle Blowing' arrangements is the responsibility of the Council's Chief Legal and Democratic Officer and is reported on separately.
- 1.2 The term 'fraud' typically describes activities such as theft, corruption, money laundering, conspiracy, bribery and corruption as outlined in the Council's Anti-Fraud, Bribery and Corruption Policy '(the Policy)'. The term 'fraud' will be used throughout this report for convenience.
- 1.3 The purpose of this report is to:
  - Provide an update on counter fraud activities during the period 1 April 2020 to 31 March 2021.
  - Demonstrate how the Council is dealing with some of the fraud risks it is subjected to.
  - Outline how resources available have been used to tackle fraud and emerging priorities going forward.

## 2 Executive Summary

- 2.1 2020-2021 was particularly challenging due to the heightened risk of fraud and economic crime as part of the COVID-19 global pandemic. The public sector was increasingly targeted by criminals, particularly in relation to stimulus funding and support. The Council worked hard from the outset and over the course of the year putting in place pre and post event assurance measures to measure, understand and recover, where possible, losses arising from COVID-19.
- 2.2 The Council's Risk and Audit team appointed an Assurance Manager early in 2019 whose role is to develop a formal plan, seek approval for and manage the delivery of the Council's approach for seeking assurance that counter fraud is an integral part of the Council's activities. An Assurance Team of 1.72 full time equivalent staff was also appointed at the same time as the Assurance Manager, to assist with providing assurance on key elements of the Revenue and Benefits processes as well as carrying out value for money and counter fraud activity across the Council with the aim of maximising revenue and minimising the risks of fraud. The Assurance Manager also co-ordinates the Council's involvement in the Audit Commission's National Fraud Initiative.
- 2.3 It is important to note though that the prevention, detection and effective management of fraud risks is the responsibility of all services within the Council, with the Council's Internal Audit and the Assurance Manager working with service managers in key fraud risk areas to review control processes in the individual service areas and provide managers with support with any fraud investigations.
- 2.4 During 2020-2021 the Assurance Officers from the Risk and Audit team were seconded to

# Agenda Item 9

firstly to the Business Rates team in the Council's Revenues Service and then with the Invest Sefton Team in the Council's Economy and Regeneration Service to assist with the Council's response to the pandemic, assessing and delivering both national and Liverpool City Region Business support grant schemes to the Sefton business community.

- 2.5 Following a review of the Council's Anti-Fraud, Bribery and Corruption Policy in December 2019, a Fraud Risk Assessment Guidance Manual was produced in October 2020, with 'Fraud Risk Owners' subsequently nominated by Heads of Service to undertake comprehensive fraud risk assessments for their individual service areas.
- 2.6 The counter fraud position within the Council demonstrates encouraging progress in 2020-2021. The Council's fraud identification and reporting culture is improving and showing signs of increased proportionate investigation and implementation of suitable controls.

## 3 Key Mechanisms – Policies and Procedures

- 3.1 Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. The policies and associated documents are reviewed and updated on an ongoing basis. All policies and associated documents are available on the Council's intranet and include the following:

### Anti-Fraud Bribery and Corruption Policy

- 3.2 An updated Anti-Fraud, Bribery and Corruption Policy was approved by Cabinet on 5 December 2019. The Policy sets out the Council's approach to managing the risk of fraud both internally and externally and applies to all individuals who work for the Council, its employees, Members and contractors.

### Whistle Blowing Policy

- 3.3 The Council has a Whistle Blowing Procedure available to all staff and Members, and was updated June 2019. This Policy sits alongside the Council's Anti-Fraud, Bribery and Corruption Policy

### Anti- Money Laundering Policy

- 3.4 The Council has an Anti-Money Laundering Policy approved December 2020. This Policy sits alongside the Council's Anti-Fraud, Bribery and Corruption Policy.

### Risk Assessment Guidance Manual

- 3.5 The guidance was introduced in October 2020 to provide Fraud Risk Owners with guidance on identifying functions within their service areas that may be vulnerable to fraud. These functions are those that could be exploited by employees or others for personal gain, (generally, but not limited to financial gain). A five-step fraud review process is in place to assist service areas in completing the fraud risk assessments:

- Step1 Identify functions
- Step 2 Assess current controls
- Step 3 Identify vulnerabilities
- Step 4 General risks
- Step 5 Enhance controls

## 4 Risk based planning to minimise the risk of fraud

- 4.1 A self-assessment of the Council's activities against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice was undertaken and presented to the Strategic Leadership Board in July 2020. The CIPFA Fraud Risk self-assessment highlighted some areas where development was required to meet the good practice note. Key actions took place in 2020-2021 to improve counter fraud measures across the Council. As part of the approach, Heads of Service were asked to appoint Fraud Risk Owners for their individual service areas who were required to complete fraud risk assessments for current and any new activities. The risk assessment process documented roles and responsibilities for managing the fraud risks within the organisation.
- 4.2 An updated Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally ('FFCL') was launched in 2020. The previous FFCL strategy focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'. The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies. The second new area that has appeared during the FFCL research recognises the increased risk of harm that fraud has on its victims and protecting the community, placing an additional responsibility on the Council to protect its residents from fraud.
- 4.3 The Council's Anti-Fraud and Corruption Strategy ('the Strategy') began development in 2020-2021 and follows the principles contained in the Code of Practice on Managing the Risk of Fraud and Corruption, published by the Chartered Institute of Public Finance and Accountancy (CIPFA code) and the FFCL checklist, produced by Local Government partners in 2020.
- 4.4 The further development, consultation, approval and implementation of the Strategy will be reported on in the Counter Fraud Annual report 2021-2022. As part of the approved Strategy estimates of financial fraud loss from Fraud and Corruption will be provided to the Audit and Governance Committee on a quarterly basis.

The Strategy will incorporate:

- strategic objectives
- governance and corporate framework
- environment and culture
- working with others to prevent and fight fraud
- identification of risk
- prevent, pursue, protect
- training, raising awareness and publicity
- roles and responsibilities

## 5 Work carried out in 2020-2021

### National Fraud Initiative (NFI)

- 5.1 A data matching exercise with the Government's National Fraud Initiative (NFI) was undertaken identifying instances where an employee and creditor (accounts payable

# Agenda Item 9

records) were linked by the same bank account, or the same address, to identify employees with interests in companies with which the Council is trading. The link with companies was identified from Companies House records. Heads of Service and the Personnel Department were contacted to confirm that the employees identified in the matches had completed declarations of interest regarding their respective company interests. The outcome of the exercise confirmed that none of these matches had declared their interests. Recommendations arising from the exercise have been included in the Ethics and Code of Conduct Audit Report.

- 5.2 In June 2020 a data matching exercise was commenced as part of the Council's involvement with the National Fraud Initiative 2020 - 2021 work programme of mortality screening following the Covid-19 health emergency. The data submitted by the Council was matched against the DWP deceased persons data with an aim to identify those individuals that required further investigation to prevent potential overpayments of pensions and Council Tax support. The exercise resulted in seven matches for Pensions and 482 matches for the Council Tax Reduction Scheme. Matches were investigated and results have been followed up.
- 5.3 All other mandatory dataset requirements for the 2020 -2021 NFI work programme were successfully submitted by the Council to NFI as follows:
- Council Tax Reduction Scheme
  - Housing Waiting List
  - Payroll
  - Pensions
  - Resident Parking Permits
  - Taxi Driver Licences
  - Trade Creditors

## **Business and Discretionary Grants Fraud**

- 5.4 In response to the COVID-19 pandemic, the national lockdown resulted in large numbers of businesses temporarily closing, particularly in the retail, tourism and hospitality sectors. Financial support was made available for qualifying businesses, delivered through the Small Business Grant Fund, Retail, Leisure and Hospitality Grant Fund and a number of Discretionary Grant Schemes both at national and regional level. The Council was responsible for administering these grant payments. Internal Audit and the Assurance Manager supported this by advising on new controls to administer the funds.
- 5.5 Guidance provided by the Government in 2020 set out the role of Local Authorities in providing assurance to both themselves and to the Department for Business, Energy and Industrial Strategy (BEIS) to minimise the risk of error and fraud. To deliver this requirement, and as part of an assurance plan, Internal Audit and the Assurance Manager supported the service areas in the development of pre and post-payment assurance checking regimes, which were informed by fraud risk assessments undertaken for each of the business grant schemes, detailing the likelihood of fraud and error.
- 5.6 The Government's Grant Management Function and Counter Fraud Function made their digital assurance tool, Spotlight, available to Local Authorities to support the administration of COVID-19 emergency grants. Spotlight has a number of key features namely processing initial due diligence checks, using data from Companies House and the Charity Commission, government grant awards and contracts, to help build a picture of the grant recipient and used as part of the post payment assurance programme. Spotlight is being utilised by the Council during to investigate all payments made over the last twelve months under the Small Business Grant Fund, the Retail, Hospitality and Leisure Grants Fund and Local Authority Discretionary Fund Grants Fund.



5.7 During September 2020, following the closure of the Business Support Grant Scheme at the end of August 2020, sample checks were undertaken to identify any potentially fraudulent or irregular activity, with the aim of identifying any over payments as well as providing general assurance on the delivery of the project. The outcomes of the post event assurance work fed into an audit report.

5.8 The Cabinet Office confirmed that Business Support Grants and Business Rates datasets were to be mandated in the 2020/21 NFI data matching exercise in order to identify potential fraud. The draft timetable for the submission of the grants data was 29 January 2021. The results of the data matching were released to the Council by NFI by 31 March 2021, and the Council will be following up the data matches between 31 March 2021 and 31 December 2021.

Data matching is undertaken based on established NFI methodologies to identify potential fraud in relation to:

- multiple grants paid to businesses within or between LA's;
- duplication between grant schemes where relevant; and
- payments made to business or individuals flagged in proven fraud 'watchlist' data, where available.

Results of this exercise will be reported in the Counter Fraud Annual Report 2021-2022.

5.9 For Business Grant Fraud the Government provided debt recovery guidance to Local Authorities in September 2020. There are three types of ineligible payments; error, non-compliance and fraud. If reclaiming funds is not possible the debts are to be referred to the BEIS to establish the next steps and ultimately determine whether the Local Authority will be held accountable for the debt. All identified fraud regardless whether it is local, cross boundary or organised will be referred to Action Fraud via the website [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

5.10 In August 2020, an investigation into alleged grant fraud was undertaken, following a landlord notifying the Council. However, the investigation found no impropriety had been committed and the grant had been paid correctly.

5.11 An attempted fraud for COVID-19 grant funding for multiple businesses at one address in Sefton under one of the Liverpool City Region Grant Schemes was prevented due to the tight controls in place. All the applications showed strong indication of fabricated information and did not meet the audit thresholds so were rejected without offering any option of appeal.

## Assurance activities

5.12 A performance and improvement plan was in place for assurance activities in 2020-2021, which included supporting other key risk areas within Risk and Audit. The plan included a range of assurance checks to be undertaken across Customer Centric Services, which included refunds, Council Tax discounts and exemptions, Business Rates Reliefs and Exemptions, including Small Business Rates Relief. This work was designed to complement any audit activity undertaken during the year. However, Assurance activities were put on hold from April 2020 as the assurance team were seconded to assist the Revenues and Economic Regeneration services in the delivery of the Business Support Grants to the local business community across Sefton during 2020-2021.

## Insurance Fraud

5.13 In June 2020 a suspected insurance fraud was referred via the Council's Claims handlers

# Agenda Item 9

for further investigation. This provided a claimant profiling report which included a review of the claimant's social media accounts under the General Data Protection Regulations provisions (prevention of fraud and crime).

- 5.14 In December 2020 instructions were issued to the Council's solicitors to handle two insurance claims involving suspected fraudulent collusion over tripping incidents in the Borough.
- 5.15 On another matter relating to insurance fraud, also in December 2020, the Council's solicitors brought to a successful conclusion a motor insurance claim where fundamental dishonesty was found. Over £4k of legal costs incurred in pursuing the matter are being reclaimed from the claimant.

## Social Care Fraud

- 5.16 Irregularities referred to Internal Audit in January 2021 on a social care matter resulted in further investigations being undertaken into potentially fraudulent activity by the same client in another Council area.

## Council Tax fraud

- 5.17 At the end of November 2020, Sefton's Council Tax and Electoral Register data was submitted to the National Fraud Initiative as part of an official annual data matching exercise to check sole occupier discount entitlement where there is information to suggest there may be more than one person in the household.

## 6 Working with Partners and Stakeholders

- 6.1 The Council continues to cooperate with other local authorities in sharing relevant intelligence about frauds and scams. One such joint investigation was undertaken 2020-2021 relating to misrepresentation in relation to Business Grant applications in both Sefton and the other billing authority.
- 6.2 The Council continues to participate in the Merseyside Regional Fraud Group to jointly develop and share best practice in Counter Fraud through a number of approaches, including information and knowledge sharing, policy and procedure development and joint working where appropriate.
- 6.3 The Council continues to participate as a member of the National Anti-Fraud Network (NAFN), a shared service organisation that provides data, intelligence and best practices for Member organisations.

## 7 Training and awareness

- 7.1 Regular COVID-19 intelligence bulletins were received during the year from CIFAS, a not-for-profit fraud prevention membership organisation, which gave an insight into the latest phishing techniques, cyber-enabled threats, internal risks and other fraud threats identified by the CIFAS Intelligence team. Their bulletins are designed to help protect, prevent, mitigate and anticipate the key fraud threats that could target the Council, our citizens, businesses and employees. We secured permission from CIFAS to put these briefings on our internal Intranet so staff across the Council could benefit from being aware of the scams and risks associated with fraud threats. However, we restricted them from being copied, edited or printed.

Typical COVID-19 emerging threats, trends and fraud risks include:

- Fraudsters taking over business premises which were/are unoccupied. The fraudster targets these empty properties using a recently created company for purpose of making a grant claim;
- A number of companies are being sold on eBay which could potentially be used in bounce back loan fraud;
- Scammers posing as officials making business Covid-19 inspections;
- Fraudulent documents (passports and degree certificates);
- Grant fraud (especially the use of fake documents);
- Business impersonation fraud;
- Investment fraud (mainly via social media);
- Cloned websites;
- Fraudulent telephone calls (mainly Amazon and government agencies);
- SMS phishing scams (HMRC tax relief for self-employed professionals);
- Phishing emails (more recently TV licensing following the reintroduction of TV license fees for the over 75s,
- HMRC)
- Mandate fraud;
- Ransomware;
- As part of the rules around the opening of pubs, clubs and restaurants, businesses have been asked to collect customer contact details to assist with contact tracing. This could put customer's information at risk if it is not held securely.

## 8 Conclusion

- 8.1 The range of activities and incidents covered in this report highlights the extent to which fraud exists as a risk to the achievement of the Council's objectives. Council staff have been working under extreme pressure during the pandemic which may mean that some internal controls may have been suspended or relaxed and staff being redeployed to operational areas to meet the demands of the pandemic.
- 8.2 Whilst the number of potential fraud cases identified in 2020-2021 is low, it is important to recognise that the continued engagement of service areas across the Council is imperative in order to identify and investigate weaknesses in controls, emerging fraud risks and there is effective communication between the services involved, with Internal Audit and the Assurance function providing advice on fraud risks and mitigating controls.
- 8.4 The Council has seen the development of further measures to enable the prevention and detection of fraud in 2020- 2021, but work will continue in 2021-2022 to ensure that there is enough capacity for further proactive counter fraud and investigative work to be undertaken. A number of options are being considered with the aim of continuing to prevent losses, securing tangible benefits and delivering a value for money service for the Sefton community.

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# Agenda Item 11

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 15 December 2021
<b>Subject:</b>	Review of Risk Based Verification for Housing Benefit and Local Council Tax Reduction claims		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	Appendices 2 and 3 of the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt.		

## Summary:

The report provides the Audit and Governance Committee with details of a review of the Council's Risk Based Verification policy for Housing Benefit (HB) and Council Tax Reduction (CTR) and recommends changes to the approach with effect from 1<sup>st</sup> April 2022.

## Recommendation(s):

- 1) that the Council's Audit and Governance Committee approves ending the use of Risk Based Verification in the administration of HB, CTR claims and reported changes in circumstances received after 31<sup>st</sup> March 2022, and
- 2) that the Audit and Governance Committee approves changes to verification of evidence to support HB and CTR claims received after 31<sup>st</sup> March 2022.

## Reasons for the Recommendation(s):

- 1) The review of the operation of the Risk Based Verification policy has identified that performance will not be affected should it end.
- 2) The roll-out of Universal Credit, administered by the Department for Work and Pensions (DWP), and the reduction in the number of claims dealt with by the Council, mean that there is no longer a need for Risk Based Verification to verify income.

# Agenda Item 11

- 3) Access to data from the DWP and Her Majesty's Revenues and Customs (HMRC) has significantly improved availability of accurate and reliable data to confirm a claimant's income so a Risk Based Verification approach is no longer required.

## **Alternative Options Considered and Rejected:** (including any Risk Implications)

The Council may continue to operate a Risk Based Verification policy however the review has identified that there is no real benefit in doing so.

The risk in relation to fraud and error in claims has been considered and it was found that the creation of overpayments has reduced over the years but there is no conclusive evidence to suggest it was down to Risk Based Verification. This is because the number of initiatives put in place over the years by the DWP and HMRC have improved timeliness and accuracy of data. Direct notification of changes in circumstances from central Government agencies, rather than a reliance on customer-notified changes, also mean that there is less scope for error and overpayment to occur.

## **What will it cost and how will it be financed?**

There will be no impact on costs of service delivery. The software used to support Risk Based Verification is provided by Northgate Public Services as part of a wider package of Revenues and Benefits software applications and there will be minimal savings if this is no longer used.

## **Implications of the Proposals:**

### **Resource Implications (Financial, IT, Staffing and Assets):**

There are no negative financial implications by ending the operation of Risk Based Verification.

Benefits processing staff already have access to a significant amount data of claimant data provided directly to the Council from DWP/HMRC which means that in an increasing number of cases there is no requirement for additional claimant-provided supporting information and evidence.

### **Legal Implications:**

The Housing Benefit Regulations 2006 provide that claimants must furnish the Council with documentation and/or information that may reasonably be required to determine entitlement to the benefit claimed. The regulations do not impose a requirement on the Local Authority as to what specific evidence and information should be obtained from the claimant but do require it to obtain information which will enable an accurate assessment of entitlement to benefit to be made.

The Council's local Council Tax Reduction Scheme includes a similar requirement.

There is a requirement when processing new claims for Housing Benefit to verify original documents to prove identify for the claimant and their partner (if applicable).

### **Equality Implications:**

There are no equality implications by ending the operation of Risk Based Verification. Benefit entitlement for all groups will be based on the Council's updated verification arrangements rather than different requirements that have been in place based on a claimant's risk category in line with the Risk Based Verification Policy.

**Climate Emergency Implications:**

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The recommendations will have a neutral impact. In most cases, benefits processing staff will determine entitlement using information and data already held on the claimant's record.

**Contribution to the Council's Core Purpose:**

Protect the most vulnerable: The administration of Housing Benefit and Council Tax Reduction using the Council's verification standards will ensure that people who require this support will receive their correct entitlement.

In all likelihood information and evidence will be received directly from DWP/HMRC to reduce the need for claimants to have to provide this separately to the Council.

Facilitate confident and resilient communities: N/A

Commission, broker and provide core services: N/A

Place – leadership and influencer: N/A

Drivers of change and reform: N/A

Facilitate sustainable economic prosperity: N/A

Greater income for social investment: N/A

Cleaner Greener: N/A

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6594/21) and the Chief Legal and Democratic Officer (LD.4795/21) have been consulted and any comments have been incorporated into the report.

# Agenda Item 11

The Cabinet Member for Regulatory, Compliance and Corporate Services has been briefed regarding the review of the Risk Based Verification policy and the recommendations proposed to take effect from 1<sup>st</sup> April 2022.

## **(B) External Consultations**

Not applicable

## **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Meeting

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## **Appendices:**

**Enclosure 1:** DWP Circular S11/2011

**Enclosure 2:** Sefton Council Risk Based Verification Policy 2013

**Enclosure 3:** Sefton Council Risk Based Verification Policy – updated 2017

## **1. Introduction/Background**

- 1) DWP Circular S11/2011 (Appendix 1) sets out guidance for local authorities operating Risk Based Verification for Housing Benefit and Council Tax Benefit. Risk Based Verification allows for more intense activity on claims more prone to fraud and error. Risk Based Verification is practised on aspects of claims in Jobcentre Plus, the Pensions Disability and Carers Service, and the DWP set out its intention that Risk Based Verification would be applied to claims for Universal Credit as it began to be introduced from 2013.
- 2) S11/2011 set out the DWP’s wish that Risk Based Verification would be extended to claims for Housing Benefit and Council Tax Benefit on a **voluntary basis** with effect from April 2012.
- 3) Risk Based Verification is a method of applying different level of checks to benefit claims according to the risk associated with those claims. Local Authorities are still required to comply with legislation around evidence of National Insurance numbers to verify identity while making use of intelligence to target more extensive verification activity on those claims shown to be at more risk of fraud and error.
- 4) Risk Based Verification assigns a risk category to each claim: Low, Medium or High Risk. Only minimal, essential checks would be made to Low risk claims, Medium risk claims would continue to be verified in the same manner as previously, whereas High risk claims would be subject to more extensive verification, for example, requesting further information and evidence, telephone interviews, credit reference checks.



- 5) While Risk Based Verification is voluntary, Local Authorities opting to adopt it are required to have a policy in place detailing risk profiles and verification standards. The policy must be submitted for Member approval along with a covering report providing the recommendation/approval of the Section 151 officer. The DWP also considers it good practice for the Policy to be examined by an Authority's Audit and Risk committee (or similar).
- 6) The information held within the Policy should not be made public due to the sensitivity of its contents.
- 7) The Policy should be reviewed annually and should not be changed in year as this would complicate the audit process. Auditors are required to check during the annual certification process that subsidy claimed adheres to the Authority's Risk Based Verification policy to support correct processing of claim categories. Failure by a Local Authority to process claims in line with its Risk Based Verification policy could result in subsidy loss.
- 8) Due to the COVID-19 pandemic, the DWP issued guidance to Local Authorities in April 2020, and again in May 2021, that the requirement to undertake an annual review of the Risk Based Verification policy was suspended until March 2022. However, if a Local Authority wants to change its current Policy it should do so following the approval route set out in Circular S11/2011.
- 9) Sefton Council has operated a Risk Based Verification policy since 1<sup>st</sup> April 2013 (Enclosures 2 & 3). Initially the Policy applied to New Claims and it was extended to include change in circumstances from April 2016. At the time, Risk Based Verification provided an opportunity to improve administration and reduce the burden on claimants to provide as much evidence to support their claims. There was also the potential to drive out fraud and error by targeting higher risk claimants to provide more evidence in support of their claims.
- 10) The Council has used software provided originally by Coactiva, (now Transunion) to provide claimant risk profiles. Profiles are determined by a propensity model, a mathematical formula/ algorithm, which uses historical outcome data to establish the likelihood of fraud and error appearing in any given claim. Each claim is analysed by the risk score software to identify if any of the characteristics associated with the occurrence of fraud and error are present. Likelihood is expressed by a risk category of low, medium or high risk.
- 11) The risk score is just one factor considered by the Council's Benefits Service before a claim is paid. An experienced staff member is responsible for considering the risk score, as well as income information and evidence held on the claimant's benefit record, before determining entitlement.

## **Review of Risk Based Verification Policy**

- 12) The Benefits Service has recently undertaken a review of the Risk Based Verification Policy and considers that it could end with effect from 31<sup>st</sup> March 2022 without any negative impact on performance or fraud and error. The volume of claims categorised as high risk in line with the Policy is extremely low compared to

# Agenda Item 11

the overall volumes processed by the Benefits Service.

The table below shows volumes of cases falling into each risk category by Transunion software system for the 12-month period August 2020 – July 2021: -

	<b>Low Risk</b>	<b>Medium Risk</b>	<b>High Risk</b>
<b>RBV claim volumes</b>	1153 (88%)	144 (11%)	14 (1%)

- 13) From 30<sup>th</sup> June 2014, Sefton was part of the national roll out of the Universal Credit Live Service, and in October 2017 Universal Credit Full Service was implemented. Both changes have had an impact on the number of new claims to HB that the Council deals with as working age claimants now claim housing costs through Universal Credit. Although there was an increase in claims for Council Tax Reduction between April – June 2020, due to a rise in the number of people claiming Universal Credit in the early stages of the pandemic, supporting evidence is provided directly to the Council from the DWP.

The table shows that there has been a reduction of approximately 40% in the volume of Housing Benefit claims received by the Council since 2017 due to the majority of people claiming housing support through Universal Credit: -

	<b>30.04.2017</b>	<b>30.04.2018</b>	<b>30.04.2019</b>	<b>30.04.2020</b>	<b>30.04.2021</b>
<b>HB claims received</b>	3204	2709	2272	2075	1946

- 14) Since the introduction of the Risk Based Verification Policy in Sefton, there have been significant improvements in the access to data provided by the DWP and HMRC; This allows the Council to accurately verify the state benefits of claimants and receive direct notification from DWP systems when incomes change. For CTR claimants receiving Universal Credit, DWP also provide a notification to the Council of the income they have used in awarding Universal Credit including details of earnings. The Council also has access to earned income and private pension data held on HMRC systems. There is no need to request information from claimants in these cases.
- 15) These improvements in access to data, the increasing number of claimants in receipt of Universal Credit rather than HB, has led the Benefits Service to consider whether there is still a need for Risk Based Verification, and whether the Service could still process claims effectively without risk to the Council without using it.
- 16) Fraud and error in claims have also been considered and it was found that the creation of overpayments has reduced over the years but there is no conclusive evidence to suggest it was down to Risk Based Verification. This is because the number of initiatives put in place over the years by the DWP and HMRC have improved timeliness and accuracy of data. Direct notification of changes in circumstances also mean that there is less scope for error and overpayment to occur.

- 17) The cases highlighted as high risk have been considered. The software used, Transunion, provides no reason for a case being categorised as high risk. In most cases, the reason for it being high risk could not be established. After conducting additional checks required as part of the Policy, cases were put into payment as there was no reason established for payment to be withheld – but claims had been delayed whilst additional checks were carried out, impacting on processing times and potentially causing additional financial challenges for people on low incomes.
- 18) Transunion has written to the Council to say that it has decided to discontinue its Risk Based Verification software service from 30<sup>th</sup> September 2021 when access was removed. Transunion has explained that it has observed the impact which the rollout of Universal Credit has had on the demand for its Risk Based Verification software and its local authority client-base has reduced significantly. Therefore, it is no longer viable, nor efficient, to continue to maintain and develop the software.
- 19) Due to the DWP requirement that a Risk Based Verification policy should not be changed in year to avoid a risk to the subsidy audit process, the Benefits Service has switched to using Xantura software, provided by Northgate Public Services part of its wider package of Revenues and Benefits applications, for the six month period 1<sup>st</sup> October 2021 – 31<sup>st</sup> March 2022.

## **Proposed Changes to Verification of Evidence**

- 20) It is proposed that claims received with effect from 1<sup>st</sup> April 2022 will be processed in accordance with Regulation 86 of the Housing Benefit regulations and/ or Rule 48 of the Council's Council Tax Reduction Scheme that sets out that claimants must furnish the local authority with documentation and/or information that may be reasonable required to determine benefit entitlement.
- 21) Benefit staff will work in accordance with updated procedures setting out the verification standards for HB and CTR administration. Improved access to DWP and HMRC data will continue to provide timely, accurate information and removes the need to verify income with the customer in most cases; only in a very limited number of cases would there be a need to ask the customer to provide supporting evidence.

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## Housing Benefit and Council Tax Benefit Circular

Department for Work and Pensions

1<sup>st</sup> Floor, Caxton House, Tothill Street, London SW1H 9NA

## HB/CTB S11/2011

### SUBSIDY CIRCULAR

<b>WHO SHOULD READ</b>	All Housing Benefit (HB) and Council Tax Benefit (CTB) staff
<b>ACTION</b>	For information
<b>SUBJECT</b>	Risk-Based Verification of HB/CTB Claims Guidance

### Guidance Manual

The information in this circular does not affect the content of the HB/CTB Guidance Manual.

### Queries

If you

- want **extra copies of this circular/copies of previous circulars**, they can be found on the website at <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/>
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Contents

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**Risk-Based Verification of HB/CTB Claims Guidance**

Introduction.....	1
Background .....	2
What is RBV? .....	5
How does RBV work?.....	8
The Requirements for LAs that adopt RBV .....	14
How RBV claims will be certified .....	18
Other considerations .....	19
What are the subsidy implications .....	20

## Risk-Based Verification of HB/CTB Claims Guidance

### Introduction

1. This guidance outlines the Department's policy on Risk-Based Verification (RBV) of Housing Benefit and Council Tax Benefit (HB/CTB) claims.

### Background

2. RBV allows more intense verification activity to be focussed on claims more prone to fraud and error. It is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCS). Local authorities (LAs) have long argued that they should operate a similar system. It is the intention that RBV will be applied to all Universal Credit claims.
3. Given that RBV is practised in JCP and PDCS, the majority (up to 80%) of HB/CTB claims received in an LA may have been subject to some form of RBV. Already 16 LAs operate RBV. Results from these LAs have been impressive. In each case the % of fraud and error identified has increased against local baselines taken from cells 222 and 231 of the Single Housing Benefit Extract (SHBE). In addition, in common with the experience of JCP and PDCS there have been efficiencies in areas such as postage and storage and processing times have improved.
4. We therefore wish to extend RBV on a **voluntary basis** to all LAs from April 2012.

This guidance explains the following;

- What is RBV?
- How does RBV work?
- The requirements for LAs that adopt RBV
- How RBV claims will be certified
- What are the subsidy implications?

### What is RBV?

5. RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. LAs will still be required to comply with relevant legislation (Social Security Administration Act 1992, section 1 relating to production of National Insurance numbers to provide evidence of identity) while making maximum use of intelligence to target more extensive verification activity on those claims shown to be at greater risk of fraud or error.
6. LAs have to take into account HB Regulation 86 and Council Tax Benefit Regulation 72 when verifying claims. The former states:

*“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person’s entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable.”*

Council Tax Benefit Regulation 72 is similar.

7. These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant’s entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied.

## How does RBV work?

8. RBV assigns a risk rating to each HB/CTB claim. This determines the level of verification required. Greater activity is therefore targeted toward checking those cases deemed to be at highest risk of involving fraud and/or error.
9. The classification of risk groups will be a matter for LAs to decide. For example, claims might be divided into 3 categories:
  - **Low Risk Claims:** Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.
  - **Medium Risk Claims:** These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.
  - **High Risk Claims:** Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.
10. We would expect no more than around 55% of claims to be assessed as low risk, with around 25% medium risk and 20% high risk. These figures could vary from LA to LA according to the LA’s risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.
11. LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy, however, the use of clerical systems is acceptable.



12. Some IT tools use a propensity model<sup>1</sup> which assesses against a number of components based on millions of claim assessments to classify the claim into one of the three categories above. Any IT system<sup>2</sup> must also ensure that the risk profiles include 'blind cases' where a sample of low or medium risk cases are allocated to a higher risk group, thus requiring heightened verification. This is done in order to test and refine the software assumptions.
13. Once the category is identified, individual claims cannot be downgraded by the benefit processor to a lower risk group. They can however, exceptionally, be upgraded if the processor has reasons to think this is appropriate.

## **The requirements for LAs that adopt RBV**

14. RBV will be voluntary. However, all LAs opting to apply RBV will be required to have in place a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's (section 85 for Scotland) agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.
15. The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.
16. Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.
17. Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

## **How RBV claims will be certified?**

18. Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTB claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

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<sup>1</sup> Whilst DWP is of the opinion that the use of IT will support the success of RBV, it does not in anyway endorse any product or company

<sup>2</sup> The same safeguard must be applied to clerical systems

## Other considerations

19. The sample selection for HB/CTB cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

## What are the subsidy implications?

20. Failure by a LA to apply verification standards to HB/CTB claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases can not be identified, extrapolations will have to be performed across the whole population in the particular cell in question.
21. We will now work with the respective audit bodies to incorporate this into the COUNT guidance. If you have any queries please contact Manny Ibiayo by e-mail [HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK](mailto:HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK)

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