

Public Document Pack



MEETING: AUDIT AND GOVERNANCE COMMITTEE
DATE: Wednesday 14th December, 2022
TIME: 3.00 pm
VENUE: Committee Room - Bootle Town Hall, Trinity Road, Bootle, L20 7AE

Member

Substitute

| | |
|-------------------------------|------------------------|
| Councillor Robinson (Chair) | Councillor Bradshaw |
| Councillor Roche (Vice-Chair) | Councillor Murphy |
| Councillor Danny Burns | Councillor Lunn-Bates |
| Councillor Cluskey | Councillor Howard |
| Councillor Dowd | Councillor Spencer |
| Councillor John Joseph Kelly | Councillor Hansen |
| Councillor McGinnity | Councillor Halsall |
| Councillor Page | Councillor Hardman |
| Councillor Shaw | Councillor Pugh |
| Councillor Sir Ron Watson | Councillor Prendergast |

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

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.

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 7 - 14)

Minutes of the meeting held on 7 September 2022

4. Audit Planning Report 2021/2022 - Ernst and Young (EY) LLP (Pages 15 - 70)

Report of the Executive Director of Corporate Resources and Customer Services

5. Corporate Risk Management (Pages 71 - 118)

Report of the Executive Director of Corporate Resources and Customer Services

The Committee will also receive a presentation by the Assistant Director of Place (Highways and Public Protection) on the corporate risk: "Failure to adequately invest in the Highway network and associated assets".

6. Follow up of Audit Agreed Actions (Pages 119 - 130)

Report of the Executive Director of Corporate Resources and Customer Services

- 7. Risk and Audit Service Performance** (Pages 131 - 178)
 Report of the Executive Director of Corporate Resources and Customer Services
- 8. Financial Procedure Rules** (Pages 179 - 252)
 Report of the Executive Director of Corporate Resources and Customer Services
- 9. Treasury Management Position to September 2022** (Pages 253 - 264)
 Report of the Executive Director of Corporate Resources and Customer Services
- 10. Sefton Council Anti-Money Laundering Policy Update** (Pages 265 - 288)
 Report of the Executive Director of Corporate Resources and Customer Services
- 11. Review of Whistleblowing Complaints 2021 - 2022** (Pages 289 - 294)
 Report of the Executive Director of Corporate Resources and Customer Services
- 12. Review of Terms of Audit and Governance Committee Terms of Reference** (Pages 295 - 310)
 Report of the Executive Director of Corporate Resources and Customer Services
- 13. Audit and Governance Committee - Work Programme Update Report** (Pages 311 - 318)
 Report of the Executive Director of Corporate Resources and Customer Services
- 14. Items submitted by Members in accordance with Rules 115 and 116 of Chapter 4 of the Constitution**
 Consideration of Elected Members' reports submitted in accordance with Rules 115 and 116 of Chapter 4 of the Constitution:
- Rule 115 - Committee Members may, by giving written notice to the Chief Legal and Democratic Officer at least seven working days before the normal day for publication of agendas for a Committee meeting, submit an item for

consideration at that meeting. Items submitted shall appear on the agenda as the last item for decision and in the case of information items under the title 'items submitted by Members'.

Rule116 - A Member shall be limited to the submission of one such item per Committee meeting.

- a) **Request by Councillor Sir Ron Watson for an Amendment to the Constitution - Members' Questions to full Council** (Pages 319 - 322)

Report of the Executive Director of Corporate Resources and Customer Services

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

AUDIT AND GOVERNANCE COMMITTEE

MEETING HELD AT THE TOWN HALL, SOUTHPORT ON 7 SEPTEMBER 2022

PRESENT: Councillor Robinson (in the Chair)
Councillor Roche (Vice-Chair)

Councillors Burns, Cluskey, John Joseph Kelly,
McGinnity, Page, Shaw and Sir Ron Watson

16. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dowd and Spencer.

17. DECLARATIONS OF INTEREST

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

18. MINUTES

RESOLVED:

That the Minutes of the meeting held on 22 June 2022 be confirmed as a correct record.

19. ISSUING OF PRESS RELEASES

Further to Minute no. 9 of the meeting held on 22 June 2022, when a request was made for elected Members to be given 48 hours advance notice of press releases except where immediate response was required; the Committee considered a report of the Executive Director of Corporate Resources and Customer Services which provided a summary of the Council's process for issuing press releases to media outlets and the involvement of elected members.

The Corporate Communications Manager presented the report and answered questions thereon.

The report was discussed at length.

The Corporate Communications Manager cited the diverse nature of press releases, that on most occasions a release was in direct response to a query from the press which required an almost immediate reply and that departmental capacity and resource issues would therefore make it difficult for the provision of advance notice of all press releases to Councillors.

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The Executive Director of Corporate Resources and Customer Services indicated that there were clearly many issues to be considered regarding the provision of advance notice to Councillors of press releases and suggested that further consideration needed to be given to this matter.

RESOLVED:

That the further consideration be given to the process for the provision of advance notice of press releases to Elected Members.

20. SOUTHPORT THEATRE & CONVENTION CENTRE – DISPOSAL OF FIXTURES AND FITTINGS UPDATE

The Committee considered the report of the Executive Director Place which provided an update on the recent disposal of the fixtures and fittings currently in the Southport Theatre and Convention Centre and sought approval to dispose of a recently discovered grand piano through a specialist auction house.

The Service Manager Tourism presented the report and answered questions on the following issues:

- Whether it would be feasible to offer the remaining equipment, particularly items such as fridges, to any of the Food Banks or other suitable charitable organisations that operate throughout Sefton. This might enable them to extend the range of goods that were donated.
 - It was intended to donate unsold fridges, freezers, cookers, etc in good working order and office furniture and equipment to suitable local charities.
- Had any thought been given as to whether a recently identified, unused for some time, specialist piano itself could be a feature in the new Marine Events Centre?
 - The specialist auction house conducting the auction of the piano had advised that bringing the piano up to standard and on-going maintenance to make it useable would be extremely costly. Also, visiting musicians/acts tended to prefer to bring their own instruments when appearing at venues.

RESOLVED: That

- (1) the results from the recent auction to dispose of redundant fixtures and fittings in the Southport Theatre and Convention Centre be noted;
- (2) approval be granted for the disposal in accordance with Council

procedures of the grand piano in the Southport Theatre and Convention Centre as part of the Marine Lake Events Centre project; and

- (3) any unsold useable fridges, freezers, cookers and office furniture and equipment to be donated to food banks and other suitable local charities

21. CORPORATE RISK MANAGEMENT

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided an update on the Corporate Risk Register.

The Chief Internal Auditor presented the report indicating that the ownership of the content of the Corporate Risk Register lay with the Strategic Leadership Board and that since the last meeting there had been no new risks had been added to the Corporate Risk Register.

Three risks had been de-escalated from the Corporate Risk Register to the relevant Service Risk Registers. These risks were:

- Gaps in understanding of community needs
- Failure to manage historic records effectively
- Significant impact on Service Delivery for Planning and Sefton LA

The financial sustainability risk had been updated to reflect the latest position on the economic environment which remained dynamic at present.

Some of the risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which had been approved by the Committee in December 2020. A review of the Corporate Risk Handbook originally planned for June 2022 Committee had now taken place and was included in the report for Members to consider. A further review would be required to take place following the completion of the risk appetite work.

Although there had been substantial work undertaken over the past six years to embed risk management across the Council, there continued to be work required to ensure that it was consistently and effectively embedded.

Meetings had been held with Officers and Members to develop the Council's Risk Appetite and it was expected that the formal draft definition of the Council risk appetite would be drafted later in September and refined before providing it to the Committee in due course.

The Committee received a briefing by the Executive Director of Corporate Resources and Customer Services on Emergency Planning and Business Continuity and the ability of the Council to prepare and respond to a major

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incident under the Civil Contingencies Act; and responded to a number of questions raised by Members, including the response to the recent flood emergency in the Bootle area.

In respect of the report, a number of issues were raised, including the provision of national financial support; the financial risks associated with a housing development company; and a financial estimate for the risks to the Council associated with Impact of Cost-of-Living Crisis on Residents and Demand for Council Services.

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;
- (2) the Executive Director of Corporate Resources and Customer Service be thanked for his informative presentation on Emergency Planning and Business Continuity and the ability to prepare and respond to a major incident under the Civil Contingencies Act; and
- (3) it be noted that responses to the issues raised not provided at the meeting would be provided to Members in due course.

22. 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 updates on national policy direction; a refresh of the Contract Procedure Rules for consideration and approval; the Modern Slavery Statement; and progress in respect of Social Value Activity.

RESOLVED: That

- (1) the draft Contract Procedure Rules at Appendix A to the report be approved;
- (2) it be noted that a full re-write of the Contract Procedure Rules and a further report will be provided to Audit and Governance Committee once the updated national guidance is published; and
- (3) it be noted that the Council's [Modern Slavery Statement](#) is published on the Council website and is refreshed annually.

23. REVIEW OF MEMBERS CODE OF CONDUCT COMPLAINTS 2021-2022

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 2021-2022, that Members of Sefton Council had breached the Code of Conduct.

The Council's Principal Lawyer presented the report.

RESOLVED:

That the report be noted.

24. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2021-2022

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 2021-2022 as detailed in Appendix 1.

Councillor Sir Ron Watson requested that a formal vote of thanks be extended to Councillor Robinson, Chair of Audit and Governance Committee and the Executive Director of Corporate Resources and Customer Services and his teams, 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; and
- (2) the Chair of the Audit and Governance Committee and the Executive Director of Corporate Resources and Customer Services and his teams be commended and thanked for the huge amount of work undertaken in the past year in respect of the Audit and Governance Committee.

25. TREASURY MANAGEMENT OUTTURN 2021/22 AND POSITION TO JULY 2022

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 2021/22 financial year and also provided an update to 31st July 2022.

The report indicated that Audit and Governance Committee received this outturn report to allow monitoring against the Treasury Management Policy

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and Strategy and Prudential Indicators approved by Cabinet and Council in March 2022.

The Service Manager - Finance, presented the report and he and the Executive Director of Corporate Resources and Customer Services answered questions thereon.

RESOLVED: That

- (1) the Treasury Management position during 2021/22 and the update to 31st July 2022, 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. DRAFT STATEMENT OF ACCOUNTS 2021/2022

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which presented the draft unaudited Statement of Accounts for 2021/2022.

The Service Manager Finance presented the report and he and the Executive Director of Corporate Resources and Customer Service answered questions and responded to concerns raised about a number of issues/areas including Children's Social Care; interest in Council wholly owned companies and contract payments.

RESOLVED: That

- (1) the draft 2021/2022 Statement of Accounts be noted;
- (2) the timetable for the completion of the external audit that will be conducted by Ernst and Young LLP be noted;
- (3) it be noted that responses to the issues raised not provided at the meeting would be provided to Members in due course; and
- (3) it be noted that a presentation on the key risks relating to Children's Social Care will be provided to a future meeting of the Audit and Governance Committee either in December 2022 or March 2023.

27. RISK AND AUDIT SERVICE PERFORMANCE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services providing details of the performance and key activities of the Risk and Audit Service for the period 7 June 2022 to 31 August 2022.

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The Chief Internal Auditor presented the report and answered questions thereon.

RESOLVED: That

- (1) the progress in the delivery of the 2022 to 2023 Internal Audit Plan and the activity undertaken for the period 7 June 2022 to 31 August 2022 be noted; and
- (2) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks be noted.

28. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME UPDATE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided an update on reports listed in the Audit and Governance Work Programme for submission to the meeting held on 22 June 2022 and the reasons for non-submission of some of the reports listed.

The report indicated that the 2022-2023 Work Programme had been approved by Audit and Governance Committee on 16 March 2022 and had been developed to help ensure that all of the responsibilities of the Committee set out in the Audit and Governance Committee's Terms of Reference were discharged during the municipal year.

It was proposed that regular quarterly update reports on adherence to the Work Programme would be added to the Work Programme for consideration by the Audit and Governance Committee.

RESOLVED: That

- (1) the update on reports listed in the Audit and Governance Committee Work Programme for submission to the meeting on 22 June 2022 be noted; and
- (2) the addition to the Work Programme of the provision of quarterly update reports on adherence to the Work Programme be approved.

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Agenda Item 4

| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Audit Planning Report 2021/2022 | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Cabinet Member - Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

To present the Audit Planning Report for 2021/2022 from the Council's external auditors, Ernst & Young LLP (EY).

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Note the Ernst & Young LLP Audit Planning Report for 2021/2022.

Reasons for the Recommendation(s):

So that the Audit and Governance Committee is aware of how EY intend to carry out their responsibilities as auditor relating to the 2021/2022 audit.

Alternative Options Considered and Rejected: (including any Risk Implications)
None

What will it cost and how will it be financed?

(A) Revenue Costs
None

(B) Capital Costs
None

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Implications of the Proposals:

| |
|--|
| Resource Implications (Financial, IT, Staffing and Assets): None |
| Legal Implications: None |
| Equality Implications: There are no equality implications |

Contribution to the Council's Core Purpose:

Effective Financial Management and Reporting support each theme of the Councils Core Purpose.

| |
|--|
| <u>Protect the most vulnerable:</u> See comment above |
| <u>Facilitate confident and resilient communities:</u> See comment above |
| <u>Commission, broker and provide core services:</u> See comment above |
| <u>Place – leadership and influencer:</u> See comment above |
| <u>Drivers of change and reform:</u> See comment above |
| <u>Facilitate sustainable economic prosperity:</u> See comment above |
| <u>Greater income for social investment:</u> See comment above |
| <u>Cleaner Greener:</u> See comment above |

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of this report (FD 7055/22).

The Chief Legal and Democratic Officer (LD 5255/22) has been consulted and has no comments on the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee.

| | |
|-------------------------|---------------------------|
| Contact Officer: | Paul Reilly |
| Telephone Number: | Tel: 0151 934 4106 |
| Email Address: | paul.reilly@sefton.gov.uk |

Appendices:

The following appendix is attached to this report:

Appendix A – Audit Planning Report 2021/2022 – Ernst & Young LLP

Background Papers:

There are no background papers available for inspection.

1 EY Audit Planning Report 2021/2022

- 1.1 The Council's external auditor, Ernst and Young LLP (EY) were engaged to undertake the Council's audit for 2021/2022. Attached as **Appendix A** is their Audit Planning Report which sets out how they intend to carry out their responsibilities as auditor. This includes setting out an overview of the 2021/2022 audit strategy including an assessment of key risks and the planned audit strategy in response to those risks.

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Sefton Metropolitan Borough Council

Audit planning report

Year ended 31 March 2022
December 2022

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Private and Confidential
Audit and Governance Committee
Sefton Metropolitan Borough Council
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

6 December 2022

Dear Audit and Governance Committee Members

We are pleased to attach our audit planning report which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Sefton Metropolitan Borough Council, and outlines our planned audit strategy in response to those risks. Our detailed audit planning remains underway. If there are any amendments following the completion of these procedures we will highlight these to the Committee separately.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 14 December 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

H. Clark

Hayley Clark

For and on behalf of Ernst & Young LLP

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Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Sefton Metropolitan Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Sefton Metropolitan Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Sefton Metropolitan Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

| Risk / area of focus | Risk identified | Change from PY | Details |
|---|------------------|----------------------------|---|
| Misstatements due to fraud or error | Fraud risk | No change in risk or focus | As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. |
| Risk of fraud in revenue recognition: overstatement of fees, charges and other service income | Fraud risk | No change in risk or focus | Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on the occurrence assertion of fees, charges and other service income. We have rebutted the risk of revenue recognition in relation to grant and taxation receipts where the risk is considered to be low based on the inherent nature of the items. |
| Risk of fraud in expenditure recognition: understatement of other service expenses | Fraud risk | No change in risk or focus | As set out above, under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider the risk to be relevant to other service expenses, where management is able to apply more judgement. Specifically, our risk is focused on the completeness assertion, where expenditure is understated to manage the financial position year on year. |
| Infrastructure assets | Significant risk | New risk | Due to the ongoing consultation of the CIPFA on the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken as well as issues for the reporting of gross historical cost and accumulated depreciation. There is a risk that policies adopted by the local authorities do not fairly represent the rate in which these assets are consumed or replaced. If records held by the Council do not allow for sufficient appropriate evidence to be obtained to gain assurance over the gross and net positions in respect of these assets, it increases the risk that material assurance cannot be provided within our opinion. |
| Valuation of property, plant and equipment (PPE) under FV and EUV | Significant risk | No change in risk or focus | The Council's PPE account for the biggest proportion of the Council's assets. The assets valued using an Existing Use Valuation (EUV) and/or Fair Value (FV) methodology are subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present. |

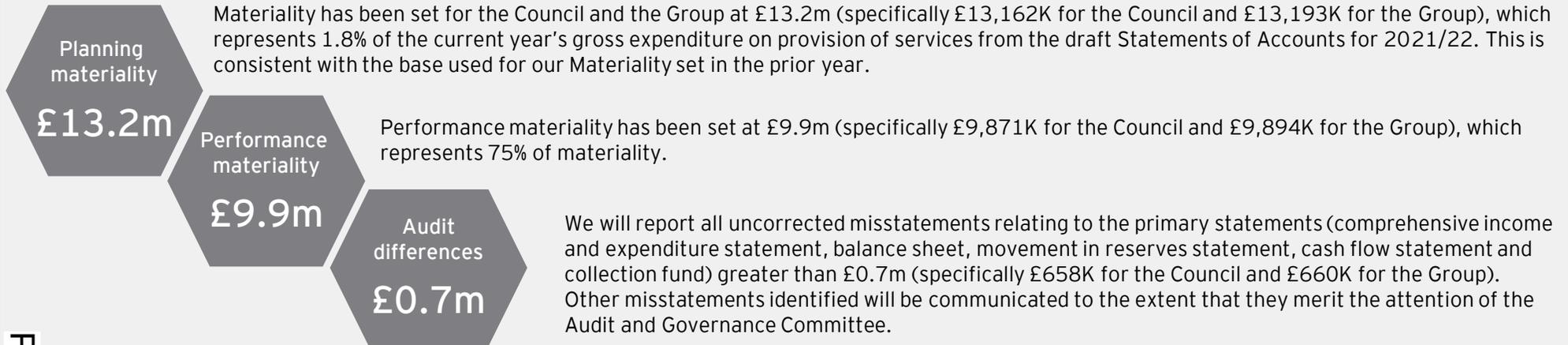
Overview of our 2021/22 audit strategy

Audit risks and areas of focus (continued)

| Risk / area of focus | Risk identified | Change from PY | Details |
|---|---|----------------------------|---|
| Valuation of investment properties | Significant risk | No change in risk or focus | The Council's investment properties account for a significant proportion of the Council's assets. These assets are valued using the Fair Value (FV) methodology which is subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present. |
| New HR/Payroll system | Significant risk | New risk | A new payroll system was used by the Council during the 2021/22 from using "Resourcelink" to "Midland iTrent". With the migration to a new payroll/HR system, there is a significant risk in relation to completeness of data transferred, implementation of controls and accessibility of historical data. |
| Valuation of property, plant and equipment (PPE) under DRC | Other financial statement risk (Higher inherent risk) | Decrease in risk or focus | Given their more formulaic nature and less reliance on market value, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC). However, as there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements. |
| Valuation of assets and liabilities in the Local Government Pension Scheme (LGPS) | Other financial statement risk (Higher inherent risk) | Decrease in risk or focus | The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet. |
| Incorrect recognition of COVID-19 related grants | Other financial statement risk (Higher inherent risk) | Decrease in risk or focus | The risk includes the incorrect assessment of the Council as either principal or agent, affecting the income recognition. Additionally, this includes a focus on grants already received in prior year but income recognition was deferred. There is a risk that the subsequent recognition to income will not appropriately reflect the underlying terms and conditions of the grant agreement. |

Overview of our 2021/22 audit strategy

Materiality



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For details, refer to Section 4.

Audit team changes

Key changes to our team.



Partner - Hayley Clark

Hayley will be charged with the responsibility of signing the audit opinion of the Council and the group and sets the overall strategy and risk assessment for delivering the audit. Hayley replaces Hassan Rohimun as signing Partner in 2021/22 audit.



Senior Manager - Sanchita Rai

Sanchita has taken up the role of Audit Manager for the 2021/22 audit. Sanchita will be charged with the responsibility of managing the audit team to fulfil their responsibilities.

Timeline

The Ministry of Housing, Communities and Local Government (MHCLG) established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

We are working with the Council, with the aim to deliver the audit ready for the March 2023 meeting of the Audit and Governance Committee. In Section 7 we include a provisional timeline for the audit.

Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Sefton Metropolitan Borough Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Sefton Metropolitan Borough Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Audit scope - for group audit

We have specifically considered the scope of our audit of the Group financial statements and set out our planned approach in Section 5 of this report.

For those components that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those components.

We intend to take a full substantive audit approach at Group level. This is consistent with the audit approach in the prior year.

Changes to the scope of our audit, in the work to be performed at group components and a summary of our planned involvement in the work of component auditor is as follows:

- ▶ Sefton New Directions Limited was full scope in the prior year. It has been assessed as specific scope in the current year due to the component being significant based on risk because of the risks associated with specific accounts or disclosures where balances are material to the group financial statements.
- ▶ Sandway Homes Limited availed the exemption to obtain an audit in accordance with Section 476 of the Companies Act 2006, thus there will be no component auditor to undertake the other procedures and therefore, we will undertake these directly. This will include obtaining the bank confirmation, testing the bank reconciliation and performing high level analytical review.
- ▶ Sefton Hospitality Operations Limited is newly incorporated and is not consolidated in the group accounts on the grounds of materiality.

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Value for money conclusion

We include details in Section 3 but in summary:

- ▶ We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the Council's arrangements against three reporting criteria:
 - ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.



02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error* (Fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Making inquiries of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements:
 - ▶ Reviewing and testing any changes to the methodologies of existing and new accounting estimates, for evidence of bias.
 - ▶ Undertaking risk based testing of journals from the accounting period that are identified from the application of specified audit risk criteria.
 - ▶ Considering and evaluating the existence and nature and business rationale of significant unusual transactions.

Financial statement impact

Page 29
statements that occur in addition to the risk of fraud or error could affect both the comprehensive income and expenditure statement and the balance sheet.

Audit risks

Our response to significant risks (continued)

Risk of fraud in revenue recognition: overstatement of fees, charges and other service income*

(Fraud risk)

Financial statement impact

Page 30
statements that occur in relation to the risk of fraud in revenue recognition could affect income accounts associated with fees, charges and other service income. These accounts had the following balances in the draft financial statements:

- Fees, charges and other service income in the draft Statement of Accounts 21/22 - £64.2m

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement.

Specifically, our risk is focused on the occurrence assertion of fees, charges and other service income, where management may have recorded and disclosed transactions which did not actually happen in the current financial year and did not relate to the Council resulting to an overstatement.

We have rebutted the risk of revenue recognition in relation to grant and taxation receipts where the risk is considered to be low based on the inherent nature of the items.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Performing overall analytical review procedures to identify any unusual movements or trends for further investigation;
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually move income between financial years;
- Undertaking a monthly trend analysis in 2021/22 using our data analytics tools to identify any unusual movements in balances during the year for further analysis and testing;
- Selecting a sample of income transactions posted in the period post year-end to confirm if this has been recorded in the correct period; and
- Selecting a sample of receivables posted just prior to year-end to confirm if this has been recorded in the correct period.

Audit risks

Our response to significant risks (continued)

Risk of fraud in expenditure recognition: understatement of other service expenses*

(Fraud risk)

Financial statement impact

Misstatements that occur in addition to the risk of fraud in expenditure recognition could affect the other service expenditure accounts which total £397.9m in the draft Statement of Accounts 21/22.

What is the risk?

As set out above, under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider the risk to be relevant to other service expenses, where management is able to apply more judgement. Specifically, our risk is focused on the completeness assertion, where expenditure is understated to manage the financial position year on year.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Performing overall analytical review procedures to identify any unusual movements or trends for further investigation;
- ▶ Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually move expense between financial years;
- ▶ Undertaking a monthly trend analysis in 2021/22 using our data analytics tools to identify any unusual movements in balances during the year for further analysis and testing;
- ▶ Selecting a sample of expense transactions posted in the period post year-end to confirm if this has been recorded in the correct period; and
- ▶ Performing unrecorded liabilities and payables cut off testing to identify payments occurring just after the year-end, which will address the completeness of the expenditure and creditor balances.



Audit risks

Our response to significant risks (continued)

Infrastructure assets

Financial statement impact

Misstatements that occur in relation to the risk that the Council inappropriately adopt a policy on infrastructure assets affecting the financial statements balance.

The net book value of infrastructure assets in the draft Statement of Accounts 21/22 is £171.3m.

What is the risk?

Infrastructure assets are valued at historic cost, most specifically the cost incurred when replacing old or constructing new infrastructure assets. Due to these assets being difficult to componentise and there often not being a clear linkage between spend and an identifiable asset, Councils often capitalise schemes of expenditure and depreciate over an estimated economic life. Assets are removed from the financial statements (“derecognised”) when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore significantly vary from their estimated life.

The main technical issue relates to subsequent expenditure on highways infrastructure assets and specifically on whether local authorities should be assessing if there is any residual value remaining in replaced components that needs to be de-recognised when the subsequent expenditure is added and whether assets are identifiable.

While this is standard practice for many fixed assets, it may not generally be being implemented for (highways) infrastructure assets because there are a variety of significant practical difficulties in applying the standard approach to such assets. This is, particularly in relation to roads, where the engineering records used to maintain, replace and add to the assets have not been created to map against identifiable components. It was recognised previously that it was not possible to typically identify components as the network was one asset and information on previous historical repairs is not available in a meaningful or identifiable way particularly for roads.

A statutory instrument and update to the CIPFA Code of Practice on local authority accounting is planned for release from DLHUC, but will not come into force until later in December 2022. Councils will have the option to apply this instrument to the accounting for infrastructure assets. In addition CIPFA released an adaptation to the Code of Practice on local authority accounting on the 28 November 2022. CIPFA will also issue a technical bulletin to provide further guidance early January 2023.

There is a risk that if we are unable to obtain sufficient, appropriate audit evidence to gain assurance over the valuation and existence of these assets that the scope of our audit may be limited and impact the opinion we provide on the financial statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Performing a walkthrough to understand and evaluate the key processes in place to account for infrastructure assets, including; capturing accurate information, componentisation, monitoring of, and the treatment in relation to, subsequent expenditure, impairment and disposal or de-recognition;
- ▶ Testing the reasonableness of the valuation of the infrastructure assets;
- ▶ Testing the existence of assets;
- ▶ Considering any subsequent guidance issued by CIPFA that may impact on the accounting for infrastructure assets; and
- ▶ Assessing the extent of information deficit that exists to create materially accurate disclosures.

Audit risks

Our response to significant risks (continued)

Valuation of property, plant and equipment (PPE) under FV and EUV

Financial statement impact

Minor statements that occur in relation to the valuation of property, Plant & Equipment could affect the Balance Sheet.

The total net book value of other land and buildings and surplus assets in the draft Statement of Accounts 21/22 is £301.9m.

What is the risk?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Council's PPE account for the biggest proportion of the Council's assets. The assets valued using an Existing Use Valuation (EUV) and/or Fair Value (FV) methodology are subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present.

What will we do?

- ▶ Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. Also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated and whether asset have been assessed for impairment and are materially correct;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Engage internal EY valuation specialists to review the approach of the Council valuer, consider assumptions underpinning the valuation and to provide expected valuations for a sample of assets valued during the year;
- ▶ Test accounting entries have been correctly processed in the financial statements;
- ▶ Review the classification of assets and ensure the correct valuation methodology has been applied; and
- ▶ Consider external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant. Specifically we will consider if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.

Audit risks

Our response to significant risks (continued)

Valuation of investment properties

Financial statement impact

Page 34

statements that occur in relation to the valuation of Investment Properties could affect Balance Sheet.

The value of investment property in the draft Statement of Accounts 21/22 is £32.3m.

What is the risk?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Council's investment properties account for a significant proportion of the Council's assets. These assets are valued using the Fair Value (FV) methodology which is subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present.

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes. The fair value of investment property has been measured using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence. In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- ▶ Evaluating the competence, capabilities and objectivity of management's specialist;
- ▶ Reviewing any terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards, and assessing if they include a specific instruction from the council to the valuer relating to an assessment of the unvalued population;
- ▶ Engaging our valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer;
- ▶ Performing appropriate tests over the completeness and appropriateness of information provided to the valuer;
- ▶ Reviewing the classification of assets and ensuring that the correct valuation methodology has been applied
- ▶ Ensuring the valuer's conclusions have been appropriately recorded in the financial statements; and
- ▶ Testing the accounting entries including the calculation of the gain or loss on revaluation to confirm that the adjustments have been correctly processed in the financial statements.

Audit risks

Our response to significant risks (continued)

New HR/Payroll system

Financial statement impact

Page 35
statements that occur in relation to the measurement of employee costs could affect the expenditure accounts.
The employee costs balance in the draft Statement of Accounts 21/22 is £256.9m.

What is the risk?

During 2021/22 the Council implemented a new payroll and HR system, transferring from using "Resourcelink" to "Midland iTrent".

The migration to a new payroll/HR system increases the risk in relation to the completeness and accuracy of the employee costs recorded in the financial statements in the year of transition, including the completeness of data transferred, implementation of controls and accessibility of historical data.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Understanding the process of the new system going live by discussing with HR management and internal audit, if applicable;
- ▶ Enquiring and obtaining evidence as to how the data was transferred from the old system to the new system;
- ▶ Obtaining assurance over the completeness of data transferred;
- ▶ Considering the use of IT specialists if required;
- ▶ Reconciling data for sample of pre-existing employees to new system; and
- ▶ Agreeing information from the new systems to supporting evidence such as payslips.

Audit risks

Our response to inherent risks

| What is the risk/area of focus? | What will we do? |
|---|---|
| <p>Valuation of property, plant and equipment (PPE) under DRC</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Given their more formulaic nature and less reliance on market data, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC). However, as there is still an element of judgment and estimation involved, we do consider there to be a higher inherent risk.</p> | <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Considering the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sampling testing asset valuations, utilising the support from EY valuation specialists where it is considered appropriate to do so, considering assumptions underpinning the valuation and to provide expected valuations of assets selected; ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by CIPFA. Also considering if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Reviewing assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct; ▶ Testing accounting entries have been correctly processed in the financial statements; ▶ Reviewing the classification of assets and ensure the correct valuation methodology has been applied; and, ▶ Testing the accounting entries including the calculation of the gain or loss on revaluation to confirm that the adjustments have been correctly processed in the financial statements. |
| <p>Incorrect recognition of COVID-19 Grants</p> <p>The risk includes the incorrect assessment of the Council as either principal or agent, affecting the income recognition. Additionally, this includes a focus on grants already received in prior year but income recognition was deferred. There is a risk that the subsequent recognition to income will not appropriately reflect the underlying terms and conditions of the grant agreement.</p> <p>The COVID-19 fund balance in the draft Statement of Accounts 21/22 is £25.6m.</p> | <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Obtaining an understanding of the types of COVID-19 grants received in year and management’s justification of the Council’s role as principal or agent; ▶ Reviewing and challenging the Council’s assessment as principal or agent and its accounting treatment for COVID-19 grants by reading the terms and conditions stipulated in the grant agreement; ▶ Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually move income into the next year; ▶ Sample testing the COVID-19 grants received and recognized in year by the Council to ensure the accounting treatment and recognition applied is appropriate based on our review and assessment above; and ▶ Sample testing the COVID-19 grants deferred in prior year and recognised in current year by the Council to ensure the accounting treatment and recognition applied to grant income is appropriate and in line with any associated conditions. |

Audit risks

Our response to inherent risks (continued)

What is the risk/area of focus?

Valuation of assets and liabilities in the Local Government Pension Scheme (LGPS)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Wirral Metropolitan Borough Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £395.8m.

The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will:

- ▶ Liaise with the auditors of Merseyside Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Wirral Metropolitan Borough Council;
- ▶ Assess the work of the Pension Fund actuary (Mercer Actuary) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model;
- ▶ Consider the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other matters

We have identified other areas of the audit, that have not been classified as risks, but are still important when considering the risks of material misstatement to the financial statements.

| Area of audit work | What will we do? |
|---|---|
| <p>Going concern compliance with ISA 570</p> <p>This auditing standard was revised in response to enforcement cases and well-publicised corporate failures where the auditor’s report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard was effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council was the audit of the 2020/21 financial statements.</p> <p>IFA’s Code of Practice on Local Authority Accounting in the United Kingdom 21/22 states that organisations can only be discontinued under statutory description shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor’s report.</p> <p>The standard increased the work we are required to perform when assessing whether the Council are a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.</p> | <p>In order to address this, we will carry out a range of procedures as required by the standard:</p> <ul style="list-style-type: none"> ▶ Auditor’s challenge of management’s identification of events or conditions impacting going concern, more specific requirements to test management’s resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; ▶ Greater work for us to challenge management’s assessment of going concern, including the cashflow forecast covering the foreseeable future and its impact on liquidity; ▶ Improved transparency with a new reporting requirement to provide a clear, positive conclusion on whether management’s assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements; ▶ A stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and ▶ Necessary consideration regarding the appropriateness of financial statement disclosures around going concern. |



03

Value for Money Risks





Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

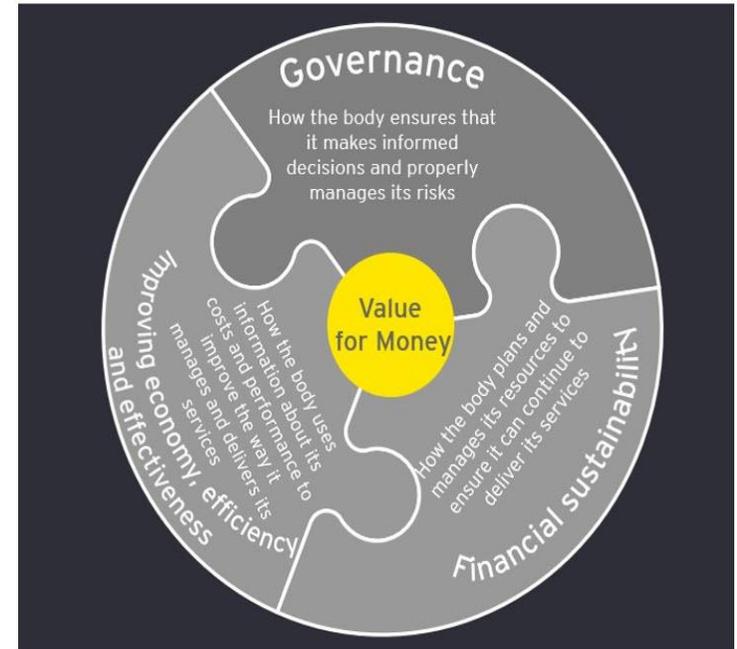
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning. However, our risk assessment will carefully consider the arrangements that the Council has in place in relation to financial sustainability - including the continued impact of Covid-19, the inflationary pressures and rising cost of living, the M&S early lease surrender and other general funding pressures on the medium term financial planning.

We will update the next Audit Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.



04

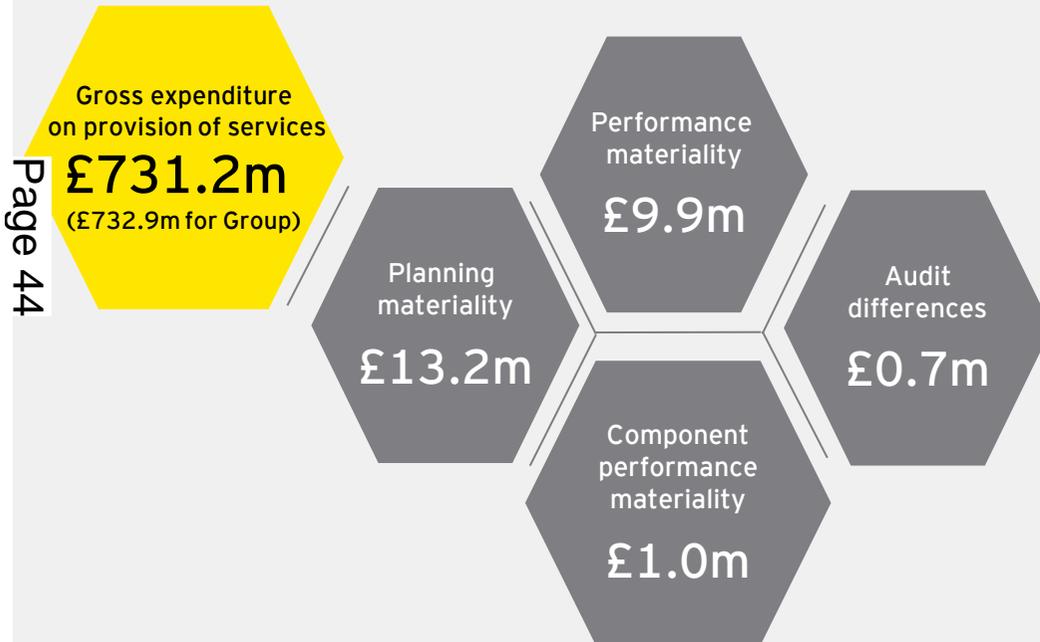
Audit materiality



Audit materiality

Council and Group Materiality

For planning purposes, the Council and the Group materiality for 2021/22 has been set at £13.2m (specifically £13,162K for the Council and £13,193K for the Group). This represents 1.8% of the Council and the Group's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. We have provided supplemental information about audit materiality in Appendix C.



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The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £9.9m (specifically £9,871K for the Council and £9,894K for the Group) which represents 75% of planning materiality. When determining the % to be used as performance materiality, we take into account considerations such as our expectation about misstatements, the likelihood and effects of misstatements, internal control environment, changes in circumstances and the result of our client and engagement acceptance and continuance process.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The threshold for misstatements used for component reporting is £66K. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

Specific materiality - we will consider specific materiality in relation to senior officer remuneration, member's allowances, exit packages and related party transactions. As these disclosures are considered to be of interest to users of the accounts, we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 3, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Scope of our audit

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

▶ Give greater likelihood of identifying errors than random sampling techniques.

Page 47 will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, management and the Audit and Governance Committee.

Internal audit:

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

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preliminary audit scopes by number of entities we have adopted are out below.

| | | |
|---|---|-----------------------|
| 1 | A | Full scope audits |
| 1 | B | Specific scope audits |
| 0 | C | Review scope audits |
| 0 | D | Specified procedures |
| 1 | E | Other procedures |

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations. This is our audit with the Council.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts. Sefton New Directions Limited is under this scope as a significant component based on risk due to an account balance (Turnover) in its Financial Statements exceeding our performance materiality.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

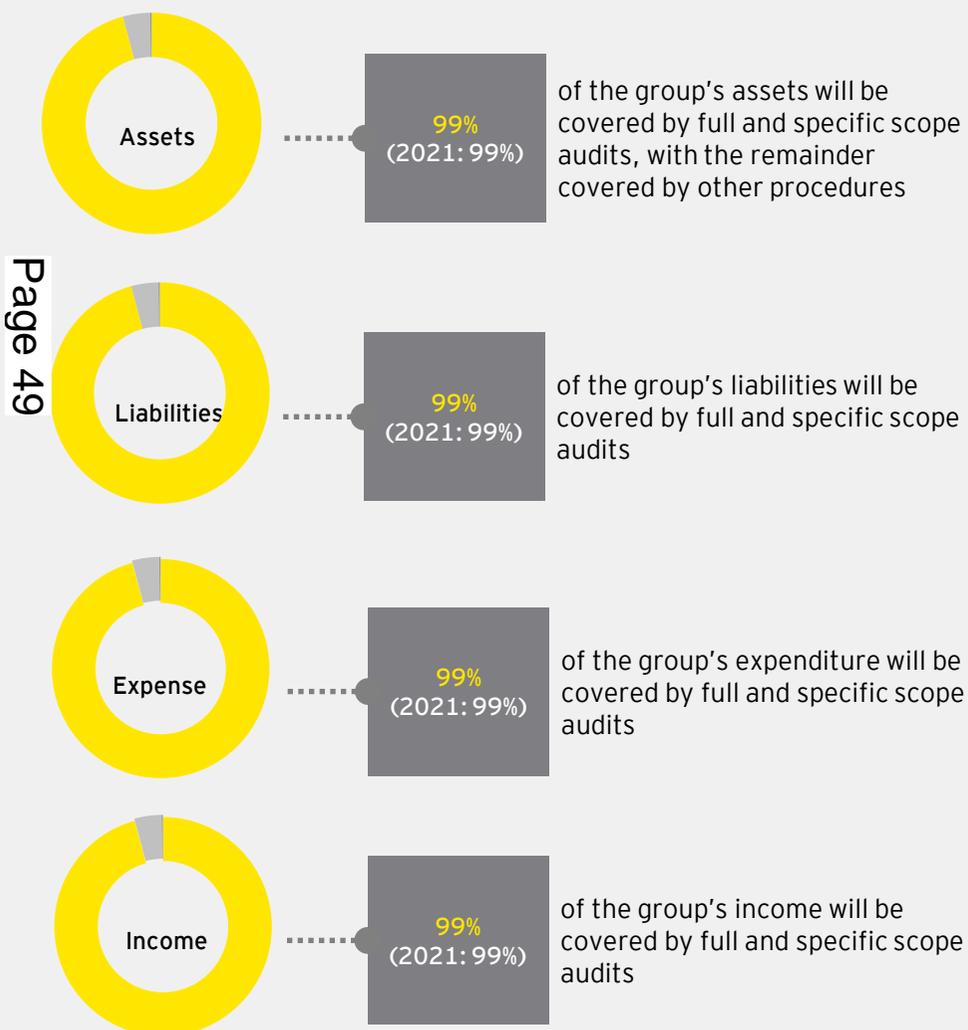
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 1% of the Group's gross expenditure. Sandway Homes Limited is under this scope. Specifically, we will look into the cash and cash in bank accounts of the components.

Scope of our audit

Scoping the group audit

Coverage

Based on the group's current year results, our scoping is expected to achieve the following coverage of the group's total assets, total liabilities, gross revenue expenditure and gross income:



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Key changes in scope from last year

- ▶ Sefton New Directions Limited was full scope in the prior year. It has been assessed as specific scope in the current year due to the component being significant based on risk because of the risks associated with one account or disclosure.
- ▶ Sandway Homes Limited availed the exemption to obtain an audit in accordance with Section 476 of the Companies Act 2006, thus there is no component auditor. It was under review scope in the prior year. This year, we will perform other procedures which we will undertake directly. These include obtaining the bank confirmation, testing the bank reconciliation and performing high level overall analytical review.
- ▶ Sefton Hospitality Operations Limited is a new subsidiary incorporated in 2021/22 and not consolidated in group accounts due to materiality. Hence, no procedures are planned to be performed.

Details of other procedures

- ▶ Since cash and cash in bank generally has no materiality due to it being the most liquid asset and most susceptible to theft, we will perform specified procedures in relation to the existence and completeness of the cash balance as the component holds a large amount of cash but is otherwise not significant.
- ▶ Other procedures may include the following:
 - ▶ Review of management's bank reconciliation for the component's bank accounts;
 - ▶ Perform overall analytical review procedures;
 - ▶ Enquiry of management about unusual transactions in the component; and
 - ▶ Review of management's minutes of the meeting to identify potential newly opened or closed bank accounts.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Scope of our audit

Scoping the group audit

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- ▶ Sefton Metropolitan Borough Council as a stand alone entity is considered the significant component and a full scope entity for which we complete the audit procedures as set out in the other sections of this audit plan. This covers over 99% of the group accounts assets, liabilities, expenditure and income.

Auditing standards require us to be involved in the work of component teams. For 2021/22, this will relate to the audit of Sefton New Directions Limited, undertaken by Hazlewoods LLP. We have listed our planned involvement below:

- ▶ We will provide specific instruction to Hazlewoods LLP setting out our expectations regarding the detailed procedures over income recognition and going concern;
- ▶ We will set up an initial meeting with the component team to discuss the content of the group instructions;
- ▶ We will consider the need to perform a file review of component team's work where appropriate; and
- ▶ We will review the reporting pack from the component auditor on procedures performed and findings.

Midway Homes Limited is entitled exemption to obtain an audit in accordance with Section 476 of the Companies Act 2006. We will use its unaudited Financial statements for the purpose of the other procedures to be performed as outlined in the previous slides.

Sefton Hospitality Operations Limited is not consolidated into the group accounts on the grounds of materiality due to it being newly incorporated in 2021/22. We have enquired the Management to provide the trial balance and/or financial statements of the subsidiary and provide their assessment to confirm that it is not consolidated as they do not consider it to be material, both quantitatively and qualitatively to the group.



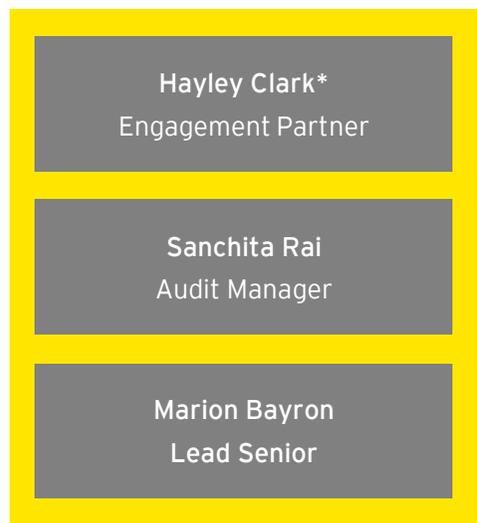
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Audit team

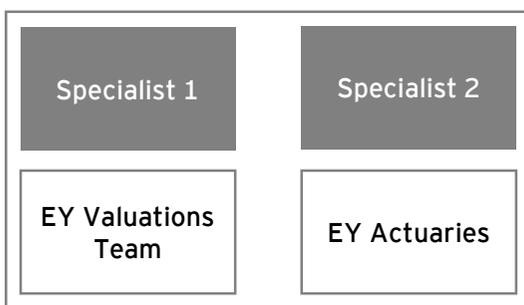


Audit team

Audit team structure:



* Key Audit Partner



*Hayley Clark is the Audit Engagement Partner who will sign the opinions on the financial statements. Sanchita Rai and Marion Bayron will have the responsibility for all operational matters and for the day to day management and delivery of the external audit service.

Use of specialists

- ▶ Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

| Area | Specialists |
|--|---|
| Valuation of PPE and Investment Property | EY Valuations Team will be utilised where any specific risks or issues are identified that require further consultation. Management's specialist is composed of both external and in-house. External specialist is GVA Grimley Limited for the valuation of a particular asset - Strand Shopping Centre and the in-house valuer for the rest of the assets. |
| Pensions Disclosure | EY Pensions Advisory, PwC (Consulting Actuary to the National Audit Office) who will review the work of Mercer Human Resource Consulting, the actuary to the Merseyside Pension Fund. |
| Pension Fund | PwC are commissioned by the NAO to undertake a review of Local Government Actuaries. EY Pensions team performs a rollforward review as required under ISA540 and review the work performed by PwC. |

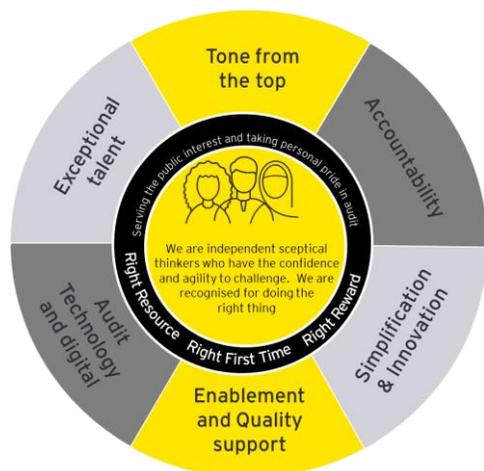
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



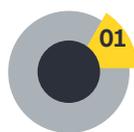
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Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



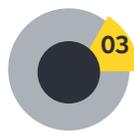
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



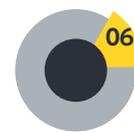
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC

Agenda Item 4



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

| Audit phase | Timetable | Audit committee timetable | Deliverables |
|--|---|---|---|
| Planning: Risk assessment and setting of scopes | November 2022 | December 2022 | Audit planning report |
| Walkthrough of key systems and processes | November - December 2022 | | |
| Yearend audit Account Testing | December 2022 - January 2023 | | |
| Yearend audit Audit completion procedures | January 2023 | | |
| Audit Conclusions | February 2023 | | Annual results report (ISA260) |
| Audit Certification | March 2023 Subject to 2020/21 finalisation | March 2023 Subject to 2020/21 finalisation | Audit results report Auditor's annual report Audit opinion and completion certificate |



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
 - ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hayley Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

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Some of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is not above 1:1. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

| Description of service | Related independence threat | Period provided/ duration | Safeguards adopted and reasons considered to be effective |
|--|---|---|---|
| <p>Housing benefit work no longer forms part of the work required by PSAA and are engaging separately with the Council on the appointment for this work in 2021/22. Our baseline fees for current year is £15,950 but the finalised fee is yet to be confirmed and will vary depending on the amount of testing required. In 2020/21, fees were £18,500 which comprises of £14,500 baseline fee and £4,000 for additional testing.</p> | <p>Self review threat - figures included in the return are also included in the financial statements.</p> | <p>Year ended 31 March 2022 and for all subsequent accounting periods. However, this will be assessed annually.</p> | <p>The specific testing of individual benefit claims and associated subsidy calculations undertaken in respect of the Housing Benefits agreed upon procedures engagement is distinct and separate to any work we have or will undertake on the financial systems of the Council. The results of the testing is not reflected in the amounts included/disclosed in the financial statements.</p> <p>In respect of the checking of benefit system parameters, this work is common across our external audit procedures and this engagement. Our external audit is concluded prior to this engagement. The external audit conclusion is therefore not reliant upon the conclusion of the Housing Benefit engagement. No advice will be given in relation to accounting treatment.</p> <p>The report we provide will be prepared or given solely for the purposes of the agreed upon procedures engagement for Housing Benefits and will not be used or relied upon for any other purposes.</p> |

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: [EY UK 2022 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

| | Planned fee 2021/22** | Final fee 2020/21* | Final Fee 2019/20 |
|--|--------------------------|-----------------------|----------------------|
| | £ | £ | £ |
| Scale fee (1) | 97,711 | 97,711 | 97,711 |
| Additional fee to address risks | TBC | TBC | 33,200 |
| Local audit | TBC | TBC | 130,911 |
| Other non-audit services not covered above (Teacher's Pension) | TBC | 7,000 | 6,500 |
| Other non-audit services not covered above (Housing Benefits) | TBC | 18,500 | 11,500 |
| Total other non-audit services | TBC | 25,500 | 18,000 |
| Total fees | TBC | TBC | 148,911 |

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

*We have been in discussion with PSAA nationally about an increase to the scale fee. For Sefton Council we proposed a revised scale fee of £171,765.

There have been changes to our audit scope because of new VFM arrangements requirements, revised estimates standard and additional work in response to issues arising during the audit related to valuations and audit of Infrastructure assets. We will discuss the impact of these with management before agreeing our final fee which will be subject to PSAA approval. Our actual fees for the Housing benefit - non audit services may exceed this estimate based on the volume of testing required in response to the previous year's report, and the amount of extended testing required from the findings of the initial testing.

**For 2021/22, we expect a number of items to impact on the audit fee, such as the continuation of additional procedures relating to PPE including Infrastructure assets, group scoping, other procedures on subsidiaries, value for money, estimates and going concern and additional procedures required due to implementation of New HR/Payroll System. We will discuss the impact of these with management before agreeing our final fee which will be subject to PSAA approval.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

| | |  Our Reporting to you |
|-------------------------------------|---|--|
| Required communications |  What is reported? |   When and where |
| Terms of engagement | Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team | Audit planning report - December 2022 |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | Audit results report - March 2023 (subject to 2020/21 finalisation) |

Required communications with the Audit Committee (continued)

| | | Our Reporting to you |
|-------------------------|--|--|
| Required communications |  What is reported? |   When and where |
| Page 64 | Going concern Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| | statements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| | Subsequent events <ul style="list-style-type: none"> ▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| | Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility | Audit results report - March 2023 (subject to 2020/21 finalisation) |

Required communications with the Audit Committee (continued)

| | |  Our Reporting to you |
|---------------------------------------|--|--|
| Required communications |  What is reported? |   When and where |
| Related parties | <ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> | <p>Audit planning report - December 2022</p> <p>Audit results report - March 2023 (subject to 2020/21 finalisation)</p> |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Audit results report - March 2023 (subject to 2020/21 finalisation) |

Required communications with the Audit Committee (continued)

| | | Our Reporting to you |
|--|---|--|
| Required communications |  What is reported? |   When and where |
| Group audits | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements | Audit planning report - December 2022 Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Representations | Written representations we are requesting from management and/or those charged with governance | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Auditors report | <ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor’s report | Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | Audit planning report - December 2022 Audit results report - March 2023 (subject to 2020/21 finalisation) |
| Value for Money | <ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. | Audit planning report - December 2022 Audit results report - March 2023 (subject to 2020/21 finalisation) |

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with the International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

| | |
|--|---|
| <p>Page 67</p> <p>Our responsibilities required auditing standards</p> | <ul style="list-style-type: none"> ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▶ Maintaining auditor independence. |
| <p>Procedures required by the Audit Code</p> | <ul style="list-style-type: none"> ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period |
| <p>Other procedures</p> | <ul style="list-style-type: none"> ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice |

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Corporate Risk Management | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in September 2022, the Corporate Risk Register has been reviewed and updated.

The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board.

One new risk has been added to the Corporate Risk Register this quarter.

- Demand and cost of home to school transport

One risk has been de-escalated to the relevant Service Risk Register this quarter where it will continue to be assessed and monitored. This risk is:

- Failure to manage and support response to pandemic

The Children's Services Service Risk Register has undergone significant revision with four current risks which have been included in the Corporate Risk Register due to their score. These risks are:

- The provision of Children's Social Care is not financially sustainable
- Market failure of Social Care provision across Adult and Children's
- Failure to manage increasing demand for services
- Impact of regulatory framework outcomes

These risks replace the existing risks shown in the Corporate Risk Register which are:

- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet

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the requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

Although there has been substantial work undertaken over the past six years to embed risk management across the Council there continues to be work required to ensure that it is consistently and effectively embedded.

A presentation on "Failure to adequately invest in the Highway network and associated assets" corporate risk will be provided to Members at December meeting.

Meetings have been held with Officers and Members to develop the Council's Risk Appetite. The draft risk appetite proposal is currently being considered by management to agree the next steps.

Recommendation(s):

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

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:

| |
|--|
| Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications. |
| Legal Implications: There are no legal implications. |
| Equality Implications: There are no equality implications. |

Climate Emergency Implications:

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 (FD7035/22) and the Chief Legal and Democratic Officer (LD5235/22) 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.

| | |
|-------------------------|------------|
| Contact Officer: | David Eden |
|-------------------------|------------|

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| | |
|-------------------|--------------------------|
| Telephone Number: | 0151 934 4053 |
| Email Address: | david.eden@sefton.gov.uk |

Appendices:

The following appendices are attached to this report:

- Corporate Risk Register December 2022

Background Papers:

None

1. Introduction/Background

- 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 Council’s strategic management and its corporate governance. Effective risk management makes sound business sense and is a good management tool as it helps to ensure that the corporate strategic objectives, in this case Sefton 2030, are achieved. The focus of good risk management is the identification and treatment of risks that could affect the delivery of these objectives.
- 1.2.3 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 The responsibilities for risk management within Council are detailed in the Constitution within the Financial Procedural Rules. Selected extracts include:
- 123 The Council’s approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- 124 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Heads of Service. The Audit and Governance

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Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.

125 Executive Directors and Heads of Service are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

128 Executive Directors and Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.

129 Executive Directors and Heads of Service will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.

130 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.

- 1.4 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this further into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
- Corporate Risk Register (CRR)– risks scored at 16 plus and these are the key risks affecting the Council
 - Service Risk Registers (SRR)– risks scored between eight and 15 which are owned and managed by the Head of Service.
 - Operational Risk Registers (ORR) – risks scored at seven and below which are owned and managed by Service Managers.
- 1.5 An updated CRR is presented at each meeting of this Committee for Members to consider. The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board. The CRR has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated CRR is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.
- 1.6 The SRR are owned and should be reviewed by the Assistant Directors (previously known as 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 Assistant Directors and are also used for the monthly budget meetings that are held by Finance with the Service Management teams. It should also be noted that, the content of the corporate risk register is also used as part of the quarterly

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performance report that is now presented to cabinet alongside financial and key performance measures.

- 1.7 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 External operating environment

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

- 2.1.2 Some of the events that have occurred include

- UK inflation continuing to increase at a rate substantially greater than originally planned impacting on organisations and individuals
- Substantially increased energy costs for organisations, business and individuals during the next six months
- Supply chain issues continuing post Covid-19 and complicated by Ukraine invasion
- Bank of England interest rate increases raising rates than originally perceived and potentially at a faster rate
- Heightened cyber security risks remaining following invasion of Ukraine
- Changes in the UK Government leadership
- Bank of England forecast of a UK recession starting in Q4 2022/23
- Autumn Statement

A number of these risks are now reflected in the narrative and scoring of the Corporate Risk Register.

2.2 Corporate Risk Register (CRR)

- 2.2.1 Since the June 2022 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

- 2.2.2 There has been one new risk added to the CRR this quarter.

- Demand and cost of home to school transport

- 2.2.3 One risk has been de-escalated to the relevant Service Risk Register this quarter where it will continue to be assessed and monitored. This risk is:

- Failure to manage and support response to pandemic

2.2.4 The SRR for CSC has undergone significant revision with four current risks which have been included in the Corporate Risk Register due to their score. These risks are:

- The provision of Children's Social Care is not financially sustainable
- Market failure of Social Care provision across Adult and Children's
- Failure to manage increasing demand for services
- Impact of regulatory framework outcomes

2.2.5 These risks replace the existing risks shown in the CRR which are:

- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet the requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

2.2.6 There have also been a number of changes to the narrative within the report.

2.3 Service Risk Registers (SRR)

2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the 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 on a rolling 12-month basis. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are invited to be updated.

2.3.2 A total of six SRRs were provided for 2nd quarter 2021/22 with one being provided late.

2.3.3 All of the SRRs (100%) were provided for 3rd quarter 2021/22 although one was provided late in the process.

2.3.4 A total of five SRRs (50%) have been provided for the 4th quarter 2021/22.

2.3.5 A total of nine (90%) SRRs have been provided for 1st quarter 2022/23

2.3.6 A total of eight (80%) SRRs have been provided for 2nd quarter 2022/23.

2.3.7 A total of eight (80%) SRRs have been provided for 3rd quarter 2022/23. We are working with two of the Service Areas to improve their SRR. We are assisting the team with the outstanding SRR to complete this.

2.3.8 There has been no deterioration this quarter in the provision of the SRRs being returned on time and we are working closely with three Assistant Directors to both improve and facilitate the completion of the reviews on time. The above findings indicate that the completion of the SRRs, in line with the Corporate Risk

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Handbook has generally improved over the past three quarters however consistent completion on time remains key to ensuring that there is an effective risk management system within the Council.

- 2.3.9 Focus on work during the next quarter will be on ensuring that the SRRs are updated taking into consideration the risks within the Operational Risk Registers as well as ensuring that there is a 100% response to the quarterly request for an SRR. We are going to be looking qualitatively at the SRRs and provide feedback to the risk owners.

2.4 Operational Risk Registers (ORR)

- 2.4.1 The Risk and Resilience team have requested the six monthly reviewed/updated ORRs from risk owners during July 2022. We are slowly receiving the outstanding ORRs. Cross checks will be made to ensure the escalation process for risk is fully embedded and relevant risks are escalating from Operational to Service Registers where appropriate. The Risk and Resilience team are continuing to work with Communities and Education Excellence to further develop ORRs that reflect the structure within these service areas.

2.5 Proposed actions from June 2021

- 2.5.1 In order to address the issues identified with the embedding of risk management in June 2021, all Assistant Directors were engaged, and the following actions identified and agreed in order to improve how risk management is embedded within the organisation. An update on the action is included below in italics:
- 2.5.2 Assistant Directors will consider whether the CRR should be developed further to take account of wider strategic risks facing the organisation. *Three further strategic risks were identified in 2021/22 and included in the CRR, with a further three being added in this current financial year.*
- 2.5.3 It is important that to properly embed risk management that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. *Guidance has been provided previously to Assistant Directors on the proposed agenda item and testing of agenda and minutes will be undertaken in January 2023.*
- 2.5.4 The sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Assistant Directors were requested to provide evidence in March 2022 that in the last quarters evidence was provided that the SRR had been shared with the relevant Cabinet Member. *Testing in April/ May 2022 as previously reported to the June 2022 Committee update, noted that there had been progress although it was not a consistent picture across all of the Service areas. Further testing will be undertaken before the end of the 2022/23 financial year to determine the current picture.*
- 2.5.5 The Audit and Governance Committee approved that the Corporate Risk Register should be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. *(completed).*

- 2.5.6 An e-learning package on risk management is to be launched across the Council during the next 12 months. *We had engaged a risk management provider to the Council, through the external Insurance Programme, to develop e-learning training content on risk management which was completed by end of November 2021. The e-learning content had been received and it was identified further enhancements were required to ensure that it was tailored for the right audience. We have refined the content and the first part of the e-learning training was finished by the end of June 2022. We have road tested the contents with colleagues and are currently working with Learning and Development colleagues to transfer the content to the e-learning library before wider rollout to Members and colleagues from January 2023.*
- 2.5.7 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 by the end the 2022/23 financial year after the assessment of the Climate Emergency addition on the header page has been assessed.*
- 2.5.8 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. *The Executive Director of Corporate Resources & Customer Services has confirmed this agenda item is now in place*

2.6 Risk Appetite

- 2.6.1 The work started on defining the draft risk appetite statement in March/April 2022 and it was envisaged that draft documents would be ready to be shared in June 2022. The draft risk appetite proposal is currently being considered by management to agree the next steps.

2.7 Corporate Risk Management Handbook

- 2.7.1 A revised version of the Corporate Risk Handbook was provided to Members at the September 2022 meeting and was approved. A further review will be required to take place following the completion of the risk appetite work.

2.8 Next steps

- 2.8.1 Following on from the approval of the Sefton Assurance framework is the consideration of implementing the three lines of defence model which outlines Internal Audit's role in assuring the effective management of risk, and the importance for delivering this of its position and function in the corporate governance. By mapping out the assurance activities from the various three lines of defence on each of the Corporate Risks this should provide better "comfort" to Members and Senior Officers that key risks are being managed effectively.
- 2.8.2 The implementation of the three lines model will inevitably require some cultural change in the organisation as there will be the expectation that managers in the 2nd line of defence such as Health and Safety, Finance and Procurement amongst many have responsibility for their systems/policies should undertake active monitoring to determine if their policies/procedures are embedded within the

Agenda Item 5

organisation and report this to the relevant governing body. Whilst this is done in part over some areas, for example Health and Safety and Risk Management this is not universally completed across the obvious 2nd line activities nor is the principle widely understood at present.

- 2.8.3 The Internal Audit Team have been undertaking Assurance Mapping for the past 12 months pulling together mainly external and, in some cases, internal sources of assurance that is used to help shape the draft internal audit plan and inform the Annual Chief Internal Auditor's Opinion. Work will continue to take place to refine the approach.

3. Summary of the current position

- 3.1 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. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.
- 3.2 There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member.
- 3.3 There has been an improvement in the updating of SRRs over the past three quarters although this is not consistently 100% of all SRRs.
- 3.4 The development of the Council's risk appetite, which is nearly completed, will help to further embed risk management within the Council.
- 3.5 There is further work planned to improve risk management within the organisation through the adoption of Three Lines of Defence model and the Assurance Mapping of key risks.

4. Presentation to the Audit and Governance Committee Meeting

- 4.1 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.
- 4.2 A presentation will be provided to Members at the December 2022 meeting on "Failure to adequately invest in the Highway network and associated assets" risk from the Corporate Risk Register

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Corporate Risk Management | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in September 2022, the Corporate Risk Register has been reviewed and updated.

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These risks replace the existing risks shown in the Corporate Risk Register which are:

- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet the

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requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

Although there has been substantial work undertaken over the past six years to embed risk management across the Council there continues to be work required to ensure that it is consistently and effectively embedded.

A presentation on "Failure to adequately invest in the Highway network and associated assets" corporate risk will be provided to Members at December meeting.

Meetings have been held with Officers and Members to develop the Council's Risk Appetite. The draft risk appetite proposal is currently being considered by management to agree the next steps.

Recommendation(s):

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

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:

| |
|--|
| Resource Implications (Financial, IT, Staffing and Assets): |
| There are no direct resource implications. |
| Legal Implications: |
| There are no legal implications. |
| Equality Implications: |
| There are no equality implications. |
| Climate Emergency Implications: |

| | |
|---|---|
| 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.) and the Chief Legal and Democratic Officer (LD) 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.

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

Appendices:

The following appendices are attached to this report:

- Corporate Risk Register December 2022

Background Papers:

None

1. Introduction/Background

- 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 Council’s strategic management and its corporate governance. Effective risk management makes sound business sense and is a good management tool as it helps to ensure that the corporate strategic objectives, in this case Sefton 2030, are achieved. The focus of good risk management is the identification and treatment of risks that could affect the delivery of these objectives.
 - 1.2.3 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 The responsibilities for risk management within Council are detailed in the Constitution within the Financial Procedural Rules. Selected extracts include:

123 The Council’s approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

124 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Heads of Service. The Audit and Governance Committee scrutinise the risk management process ensuring the Council’s risks are managed effectively.

125 Executive Directors and Heads of Service are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

128 Executive Directors and Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.

129 Executive Directors and Heads of Service will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.

130 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.

- 1.4 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this further into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
- Corporate Risk Register (CRR)– risks scored at 16 plus and these are the key risks affecting the Council
 - Service Risk Registers (SRR)– risks scored between eight and 15 which are owned and managed by the Head of Service.
 - Operational Risk Registers (ORR) – risks scored at seven and below which are owned and managed by Service Managers.
- 1.5 An updated CRR is presented at each meeting of this Committee for Members to consider. The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board. The CRR has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated CRR is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.
- 1.6 The SRR are owned and should be reviewed by the (Assistant Directors (previously known as 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 Assistant Directors and are also used for the monthly budget meetings that are held by Finance with the Service Management teams.
- 1.7 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

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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 External operating environment

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

2.1.2 Some of the events that have occurred include

- UK inflation continuing to increase at a rate substantially greater than originally planned impacting on organisations and individuals
- Substantially increased energy costs for organisations, business and individuals during the next six months
- Supply chain issues continuing post Covid-19 and complicated by Ukraine invasion
- Bank of England interest rate increases raising rates than originally perceived and potentially at a faster rate
- Heightened cyber security risks remaining following invasion of Ukraine
- Changes in the UK Government leadership
- Bank of England forecast of a UK recession starting in Q4 2022/23
- Autumn Statement

A number of these risks are now reflected in the narrative and scoring of the Corporate Risk Register.

2.2 Corporate Risk Register (CRR)

2.2.1 Since the June 2022 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

2.2.2 There has been one new risk added to the CRR this quarter.

- Demand and cost of home to school transport

2.2.3 One risk has been de-escalated to the relevant Service Risk Register this quarter where it will continue to be assessed and monitored. This risk is:

- Failure to manage and support response to pandemic

2.2.4 The SRR for CSC has undergone significant revision with four current risks which have been included in the Corporate Risk Register due to their score. These risks are:

- The provision of Children's Social Care is not financially sustainable
- Market failure of Social Care provision across Adult and Children's
- Failure to manage increasing demand for services
- Impact of regulatory framework outcomes

2.2.5 These risks replace the existing risks shown in the CRR which are:

- Failure to deliver the agreed Children's Services Improvement Plan
- Demand and cost of placements and packages within Children's Social Care leads to impact on financial sustainability of the Council
- Children's Services workforce failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce and poor outcomes for children
- The Council cannot demonstrate it has the capacity or capability to meet the requirements of its Children's Services Improvement Plan and move from inadequate to good resulting in the recommendation that it becomes a Children's Trust.

2.2.6 There have been a number of changes to the narrative within the report.

2.3 Service Risk Registers (SRR)

2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the 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 on a rolling 12-month basis. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are invited to be updated.

2.3.2 A total of six SRRs have been provided for 2nd quarter 2021/22 with one being provided late.

2.3.3 All of the SRRs (100%) have been provided for 3rd quarter 2021/22 although one was provided late in the process.

2.3.4 A total of five SRRs (50%) have been provided for the 4th quarter 2021/22.

2.3.5 A total of nine (90%) SRRs have been provided for 1st quarter 2022/23

2.3.6 A total of eight (80%) SRRs have been provided for 2nd quarter 2022/23.

2.3.7 A total of eight (80%) SRRs have been provided for 3rd quarter 2022/23. We are working with two of the Service Areas to improve their SRR. We are assisting the team with the outstanding SRR to complete this.

2.3.8 There has been no deterioration this quarter in the provision of the SRRs being returned on time and we are working closely with three Assistant Directors to both improve and facilitate the completion of the reviews on time. The above findings indicate that the completion of the SRRs, in line with the Corporate Risk Handbook has generally improved over the past three quarters however consistent completion on time remains key to ensuring that there is an effective risk management system within the Council.

2.3.9 Focus on work during the next quarter will be on ensuring that the SRRs are updated taking into consideration the risks within the Operational Risk Registers as well as ensuring that there is a 100% response to the quarterly request for an

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SRR. We are going to be looking qualitatively at the SRRs and provide feedback to the risk owners.

2.4 Operational Risk Registers (ORR)

2.4.1 The Risk and Resilience team have requested the six monthly reviewed/updated ORRs from risk owners during July 2022. We are slowly receiving the outstanding ORRs. Cross checks will be made to ensure the escalation process for risk is fully embedded and relevant risks are escalating from Operational to Service Registers where appropriate. The Risk and Resilience team are continuing to work with Communities and Education Excellence to further develop ORRs that reflect the structure within these service areas.

2.5 Proposed actions from June 2021

2.5.1 In order to address the issues identified with the embedding of risk management in June 2021, all Assistant Directors were engaged, and the following actions identified and agreed in order to improve how risk management is embedded within the organisation. An update on the action is included below in italics:

2.5.2 Assistant Directors will consider whether the CRR should be developed further to take account of wider strategic risks facing the organisation. *Three further strategic risks were identified in 2021/22 and included in the CRR, with a further three being added in this current financial year.*

2.5.3 It is important that to properly embed risk management that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. *Guidance has been provided previously to Assistant Directors on the proposed agenda item and testing of agenda and minutes will be undertaken in January 2023.*

2.5.4 The sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Assistant Directors were requested to provide evidence in March 2022 that in the last quarters evidence was provided that the SRR had been shared with the relevant Cabinet Member. *Testing in April/ May 2022 as previously reported to the June 2022 Committee update, noted that there had been progress although it was not a consistent picture across all of the Service areas. Further testing will be undertaken before the end of the 2022/23 financial year to determine the current picture.*

2.5.5 The Audit and Governance Committee approved that the Corporate Risk Register should be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. *(completed).*

2.5.6 An e-learning package on risk management is to be launched across the Council during the next 12 months. *We had engaged a risk management provider to the Council, through the external Insurance Programme, to develop e-learning training content on risk management which was completed by end of November 2021. The e-learning content had been received and it was identified further enhancements were required to ensure that it was tailored for the right audience. We have refined the content and the first part of the e-learning training was finished by the end of June 2022. We have road tested the contents with*

colleagues and are currently working with Learning and Development colleagues to transfer the content to the e-learning library before wider rollout to Members and colleagues from January 2023.

2.5.7 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 by the end the 2022/23 financial year after the assessment of the Climate Emergency addition on the header page has been assessed.*

2.5.8 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. *The Executive Director of Corporate Resources & Customer Services has confirmed this agenda item is now in place*

2.6 Risk Appetite

2.6.1 The work started on defining the draft risk appetite statement in March/April 2022 and it was envisaged that draft documents would be ready to be shared in June 2022. The draft risk appetite proposal is currently being considered by management to agree the next steps.

2.7 Corporate Risk Management Handbook

2.7.1 A revised version of the Corporate Risk Handbook was provided to Members at the September 2022 meeting and was approved. A further review will be required to take place following the completion of the risk appetite work.

2.8 Next steps

2.8.1 Following on from the approval of the Sefton Assurance framework is the consideration of implementing the three lines of defence model which outlines Internal Audit's role in assuring the effective management of risk, and the importance for delivering this of its position and function in the corporate governance. By mapping out the assurance activities from the various three lines of defence on each of the Corporate Risks this should provide better "comfort" to Members and Senior Officers that key risks are being managed effectively.

2.8.2 The implementation of the three lines model will inevitably require some cultural change in the organisation as there will be the expectation that managers in the 2nd line of defence such as Health and Safety, Finance and Procurement amongst many have responsibility for their systems/policies should undertake active monitoring to determine if their policies/ procedures are embedded within the organisation and report this to the relevant governing body. Whilst this is done in part over some areas, for example Health and Safety and Risk Management this is not universally completed across the obvious 2nd line activities nor is the principle understood and/or accepted at present.

2.8.3 The Internal Audit Team have been undertaking Assurance Mapping for the past 12 months pulling together mainly external and, in some cases, internal sources of assurance that is used to help shape the draft internal audit plan and inform the

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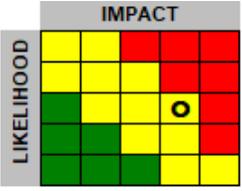
Annual Chief Internal Auditor's Opinion. Work will continue to take place to refine the approach.

3. Summary of the current position

- 3.1 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. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.
- 3.2 There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member.
- 3.3 There has been an improvement in the updating of SRRs over the past three quarters although this is not consistently 100% of all SRRs.
- 3.4 The development of the Council's risk appetite, which is nearly completed, will help to further embed risk management within the Council.
- 3.5 There is further work planned to improve risk management within the organisation through the adoption of Three Lines of Defence model and the Assurance Mapping of key risks.

4. Presentation to the Audit and Governance Committee Meeting

- 4.1 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.
- 4.2 A presentation will be provided to Members at the December 2022 meeting on "Failure to adequately invest in the Highway network and associated assets" risk from the Corporate Risk Register

| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|--|---|---|
| Financial sustainability beyond 2022/23 |  |  |  |
| Causes | <p>The national economy, taking into account inflation and direct government funding which will be reflected in the resulting potential financial settlements for 2023/24 and 2024/25 and the demand for services, will place substantial strain on the Council's overall medium-term budget. As a result, significant budget and cost reductions will be required. Due to the scale of budget reductions made since 2010, there is a risk that further suitable cost-saving / income generating measures will be difficult to identify. The impact on the financial sustainability of the Council is therefore a key risk.</p> | | |
| Result | <ul style="list-style-type: none"> • The council will need to identify substantial sustainable savings to meet the funding gap that arises from inflation, potential government grant reductions and increased demand for services • The budget reductions could have an adverse impact on residents and communities • The reputation of the Council may be compromised • Financial sustainability could be compromised • During 22/23 with the impact of the pay award, inflation on energy and costs in children's services a remedial budget plan of over £20m has been implemented but there remains inherent risk in the ability to deliver a balanced budget in year without additional government support. | | |
| Current treatments and controls | <ul style="list-style-type: none"> • The financial sustainability of the Council in the next two-year period after 2022/23 will be driven by the support offered by central government via the spending review and subsequent local government financial settlements. • The 2021 Spending Review indicated there would be no additional government funding nationally in these years, with only additional Council Tax available to support increases in costs. • It was previously forecast that the Review of Relative Needs and Resources would be completed in time to influence the 2023/24 settlement and it is estimated that this will have a negative impact on resources, however as at the start of November 2022, a consultation on the Review has not commenced and many commentators feel that it will not be in place for next year, thus increasing the uncertainty in the sector. As such developing the financial envelope to inform the Council's two-year budget from 2023/24 is difficult at this stage. • The Council's revised MTFP, based on the CSR announcement, was presented at the Budget Council meeting in March 2022 and this takes account of all known information to inform decision making-due to changes in global markets an update was provided to Council in July 2022. • Cabinet approved the next 3-year medium term financial plan at its November meeting which identified a substantial funding gap over the period and budget proposals will need to be identified to ensure financial sustainability is maintained. It should be noted that this report was published before the autumn budget statement (scheduled for 17th November) therefore the financial scenario will be updated after that. | | |
| Risk owner | ED CR&CS | | |

| | |
|-------------------------|--|
| Proposed actions | <ul style="list-style-type: none">• Deliver the Councils Budget Plan for 2022/23 that was approved on 3 March 2022• Respond to all consultations in respect of the reform of local government finance and lobby for the best possible financial outcome for the Council - using the latest information from these consultations all 3-year budget assumptions will be updated accordingly.• Ensure the rigorous approach to budget monitoring continues through 2022/23• Work will continue within the budget cycle to identify proposals that will meet the budget gap- this work will focus on the next 2 financial years, i.e., the last 2 years of the spending review period. These will be presented to Budget Council in March 2023. At this stage it is not known if further central government grant reductions will take place or additional funding will be made available- these may not be known until the local government finance settlement in December 2022. |
|-------------------------|--|

| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|--|---|---|
| <p>Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.</p> |  |  |  |
| <p>Causes</p> | <ul style="list-style-type: none"> • High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues. • National funding allocations are not increasing annually at a rate to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope. • The number and value of requests from mainstream schools for "top-up" funding (for children with SEND) continues to increase year on year as schools face financial pressures to meet the first £6k of any SEN Support. • Maintained special school provision is full and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed through extra In-house provision, there remain risks that external placements may continue at high additional cost. • Central Government have advocated parental preference for SEND provision - which has added to the number of children being placed in independent provision - with no additional funding. • The current accounting override, whereby the HNF deficit is ringfenced, will cease in April 2023 and poses a significant risk to the council and will require identification of additional resources to cover the existing £12.4 m deficit | | |
| <p>Result</p> | <ul style="list-style-type: none"> • Sefton's High Needs cumulative budget deficit was £12.4 m at the end of 2021/22. • The estimated deficit on the high needs block continues to be held on the Council's Balance Sheet. Whilst the current DfE regulations do not expect the Local Authority's General Fund to cover accumulated deficits, this is currently the basis of review, with a call for evidence being conducted to inform ministerial discussions in the autumn. This is a significant financial risk to the Council as reported to cabinet in July 2022. | | |
| <p>Current treatments and controls</p> | <ul style="list-style-type: none"> • Report to Cabinet on work programme, timescales, and objectives • Engagement with Sefton's Executive Director of Children's Social Care and Education, Assistant Director of Education and the SEN Team Managers on how costs can be contained. • Sufficiency statement produced that will drive future strategy and financial sustainability • Lobbying and engagement of both DfE and MCCLG on financial impact and the need for increased support • Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing three-year financial plans, identifying any strategic savings to mitigate high calls on DSG High Needs funding. • Review of place and top up levels of funding. • In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people. • Council now part of DFEE Delivering Better Value Programme • Comprehensive quarterly reports to be presented to Cabinet on sufficiency, in house provision, funding and deficit in order to | | |

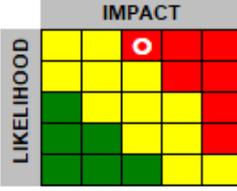
| | |
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| | provide rigour, transparency and inform decision making |
| Risk owner | Assistant Director Children's Services (Education) |
| Proposed actions | <ul style="list-style-type: none"> • Lobbying of Government has been successful, and Sefton will be working in partnership with the DfE in Dec 2022 to develop solutions to bring the High Needs Budget into a more financially secure position going forward and help to reduce the accumulated deficit over a set period. • Through the High Needs Review the LA has been working on two specific workstreams with School representatives working on a number of key areas: • Developing a new funding model to support children with EHCPs. • Clarifying high needs funding outside of the EHCP process. • Reviewing provision and placement sufficiency. • Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes. • Review of the graduated response and supporting SEN leadership in schools. |

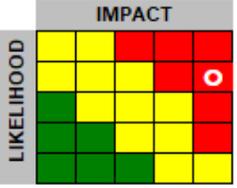
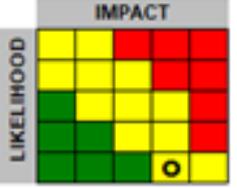
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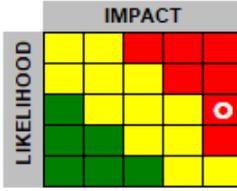
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| <p>The Provision of Children’s Social Care is not Financially Sustainable</p> |  |  | <p>TBC</p> |
| <p>Causes</p> | <ul style="list-style-type: none"> • Reduction in government funding • Lack of national response to the Independent Review of Children’s Social Care and report by the Competition and Markets Authority calling for action on the children’s social care market • Unprecedented demand • Increased placement costs in Children’s Social Care not included in Medium Term Financial Plan. • Numbers of children in care remain high • Insufficient local provision. • Inflation - Cost of placements continue to increase. • Commissioning capacity not sufficient to undertake effective market development. • Placements are not effectively reviewed | | |
| <p>Result</p> | <ul style="list-style-type: none"> • Impact on outcomes for children and young people • Lack of availability of suitable placements • Placements do not meet needs of children and young people. • Placements costs increase • Quality and sufficiency of placements decreases. • Children placed out of borough and unregulated placements. • Budget overspend | | |
| <p>Current treatments and controls</p> | <ul style="list-style-type: none"> • Children’s Service MTFP agreed by DCS and s151 in line with DfE Advisor recommendations • Joint Strategic Needs Assessment and supporting Children’s Chapters • Increased Leadership capacity in Children’s Services • Regular review of MTFP and Budget Monitoring • Joint Commissioning Strategy • Sufficiency Strategy • Market engagement and development including regional collaboration • LCR framework to coordinate the commissioning of independent residential and foster placements. • Marketing campaign to increase the number of in-house placements for children and young people. • Service Manager for Residential provision in post. • Fortnightly Placement Panel to monitor placement costs. • Monthly multi agency panels to review high-cost placements. | | |
| <p>Risk owner</p> | <p>Director Children’s Services</p> | | |

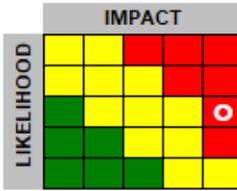
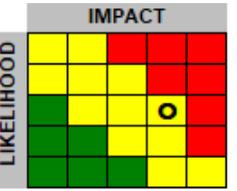
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| Proposed actions | <ul style="list-style-type: none"> • Budget to be rightsized for 2023 • Any additional expenditure required or requested will need the formal approval of Cabinet due to the wider Council budget pressures • Develop a Market Position Statement for approval at December Executive Commissioning Group. • Reopen existing in-house provision • Develop a business case for inhouse provision. • Continue marketing activity to recruit inhouse foster carers • Continue to collaborate across LCR and develop market including Independent Fostering Agency Forum and Residential Care Forum (January 2023) |
|-------------------------|--|

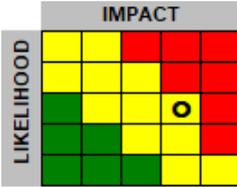
| Risk Description | Previous risk score | Current risk score | Target risk score |
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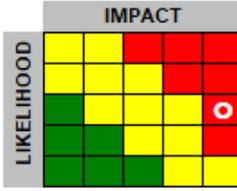
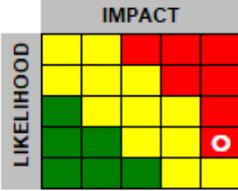
| | | | | |
|---|--|--|---|---|
| Financial sustainability beyond 2022/23 | |  |  |  |
| Causes | The Council has a wholly owned Housing Development Company- due to the prevailing economic conditions at present, there is a risk that the value and timing of the dividend from phase 1 maybe the subject of change and the timing of the capital receipt is later than previously forecast. | | | |
| Result | Due to the national economic conditions at present, there is a risk that housing completions (driven by interest rates and potential inflation) will reduce from current levels. This could result in a delay to the completion of Phase 1 of company activity. This delay could reduce the dividend and it's timing together with the timing of the capital receipts and debt repayment due to the Council. | | | |
| Current treatments and controls | <ul style="list-style-type: none"> The Council in October 2021, received a detailed update report on all aspects of the Company's activities including building programmes, grant funding and financial implications. The new financial implications received by members were subsequently approved at Cabinet in December 2021 following the receipt from the company of an updated exit strategy. The annual update of the business plan will be reported to Cabinet in December 2022. Within that report members will be provided with a comprehensive update on the business plan and financial projections that reflect the latest estimates on the build completion and sales programme, and which will discuss the current risks driven by the national economic picture, especially interest rates and potential recession. A focus on the report will be placed on the progress on the first 2 sites for which sales are progressing and the 3rd site for which construction has yet to commence. The Company has utilised the Council's internal audit team to undertake a work programme during 2021/22 An update on governance arrangements for the company was approved by Cabinet in July 2022. An annual report will be presented to Overview and Scrutiny management board in November 2022 and will then be presented to the service O&S meeting at the start of 2023. A self-assessment against the local partnerships' guidance re. management of wholly owned companies will be completed. | | | |
| Risk owner | CEX/ ED CR&CS | | | |
| Proposed actions | <ul style="list-style-type: none"> Due to prevailing market conditions and the volatility that exists, the housing market is currently seeing substantial change within it- this includes the cost of construction, house prices and the cost of mortgages, all of which could impact sales, completions and the performance of the phase 1 business plan. These risks will need to be managed by the company but as a number of these are outside of its control, close working with the Council will be required to inform effective decision making that protects the Council's financial interests and supports the original objectives of the company The governance arrangements and current controls will be continually updated - there is a lot of coverage nationally in respect of the management of wholly owned companies and as the guidance and best practice is updated on how these should be governed and managed is published, this will be taken into account by the council. | | | |
| Risk Description | Previous risk score | Current risk score | Target risk score | |

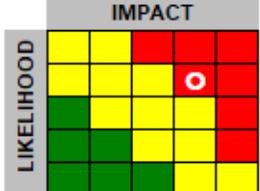
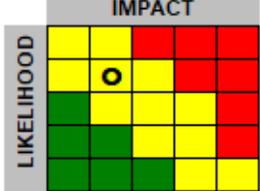
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|---|--|---|---|
| <p>Failure to adequately invest in the Highway network and associated assets.</p> |  |  |  |
| <p>Causes</p> | <p>Inadequate funding to meet need; budget reductions; inflationary cost pressures; insufficient internal staffing resource; insufficient market capacity, contractor availability and contractor capacity; insufficient availability of materials and/or labour; delayed lead-in times for materials or services; rising prices for services, materials, and equipment.</p> | | |
| <p>Result</p> | <ul style="list-style-type: none"> • Deterioration of highway assets • Potential increase in claims • Financial and reputational risks • Potential increase in accidents resulting in injury and/or death • Reduction in amount of work able to be done within budget | | |
| <p>Current treatments and controls</p> | <ul style="list-style-type: none"> • Essential work is prioritised within available budget. Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk. • Regular updates provided to Cabinet Member. • 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) • Increased Capital funding received through City Region Sustainable Transport Settlement (CRSTS) for 2022-24. Will require additional staffing resource to deliver. | | |
| <p>Risk owner</p> | <p>Assistant Director Highways & Public Protection</p> | | |
| <p>Proposed actions</p> | <ul style="list-style-type: none"> • Actively pursue opportunities for additional external funding via LCRCA and others to maintain and improve network. • Work with Contractors and suppliers to manage risk, mitigate for price rises, material, and labour shortages, and manage supply chain. • Undertake recruitment to vacant posts; create and recruit to additional posts and/or commissions where funding available to do so • Further refine and strengthen project planning, delivery, and governance measures | | |

| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|---|---|---|
| The Council is the victim of a cyber-attack. |  |  |  |
| Causes | Malware, ransomware, or another virus infects the Council's systems. | | |
| Result | <ul style="list-style-type: none"> Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data. Data breach occurs. Financial impact of ransom. Reputational damage | | |
| Current treatments and controls | <ul style="list-style-type: none"> Cyberattack prevention measures are in place, including <ul style="list-style-type: none"> Upgraded Council firewalls and active SIEM monitoring service. Anti malware tools New Acceptable use policy LGA Stocktake completed PSN Accreditation achieved and reviewed annually New security standards for email encryption implemented Further network security in place to reduce risk Back-up disaster recovery facility is in place at a separate site, allowing Agilisys to restore the top 20 critical systems. Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems Ongoing monitoring in place via ICT governance arrangements Windows Defender anti-virus software is constantly updated alongside ESET also deployed Communication to employees regarding the rise in malware attacks is in place, with plans to roll out better user education on this topic. Review of Cyber Incident planning completed, and revised policy released Removal of unsupported systems from the network | | |
| Risk owner | ED CR&CS | | |
| Proposed actions | <ul style="list-style-type: none"> 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. Education programme for phishing to continue and this will be linked to the annual information security training. Ongoing Cyber Security Improvement plan in place, including plans to bring all systems in the support of the existing ICT Contract. External validation and assurance on-going, linked to improvement plan. | | |

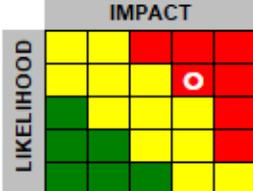
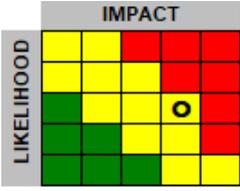
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|--|---|---|
| Impact of Cost-of-Living Crisis on Residents and Demand for Council Services |  |  |  |
| Causes | As residents become more vulnerable there is an increased demand for Council services - this increases pressure on teams and available resources. | | |
| Result | Increased demand will create: <ul style="list-style-type: none"> • Increased waiting time for some services • Issues around the capacity of the workforce to meet this demand • Budget pressure that cannot be contained • The requirement for the Council to administer central government support to residents in a tight timescale • Community cohesion will be compromised. | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Continual review of impact of cost-of-living crisis will be made based on demand for services, feedback from ward Councillors and performance information- this will lead to an agreed response with cabinet both in terms of direct support and impact on financial sustainability • In the event that the Council is asked to administer support to residents, the resource requirement will be evaluated and will be supported by new burdens funding and cabinet will be engaged on the most effective and efficient manner of providing that support | | |
| Risk owner | All Assistant Directors | | |
| Proposed actions | The Council will continue to lobby central government for support for residents impacted by the cost-of-living crisis and will continue to direct resources and support to those who need it most reflecting the core purpose objective of protecting the most vulnerable. A specific Child Poverty Strategy was approved by Cabinet in October 2022 and will be launched in December 2022 with partners and stakeholders. The Cabinet has considered regular reports on Cost of Living and the Health and Well Being Board has requested the matter be a standing item on the Board agenda going forward. | | |

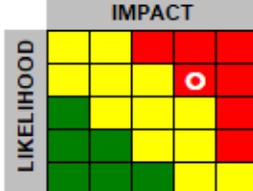
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|---|---|---|
| Data breach resulting in the wrongful release of personal and/or sensitive information |  |  |  |
| Causes | Policies and processes coordinated by Information Management and Governance Executive Group are not adhered to, resulting in a higher incidence of breaches caused by human error System error occurs | | |
| Result | 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. | | |
| Current treatments and controls | <ul style="list-style-type: none"> 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. Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, process, and issues are communicated to these officers through the Information Management and Governance Tactical Group. Support, co-ordination, advice, and guidance is provided corporately, and appropriate training/refresher training is in place. The Council has implemented policies, procedures, and processes to prevent, manage and respond to potential and actual data breaches. | | |
| Risk owner | All Assistant Directors | | |
| Proposed actions | <ul style="list-style-type: none"> 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. 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. Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error. Regular review of information contained to ensure information is accurate and any information that should be removed is removed. Regular reporting by IMGEG to SLB and Audit and Governance Committee, as necessary. Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance. | | |

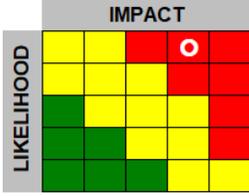
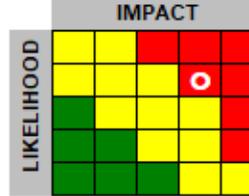
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|---|---|---|
| <p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act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

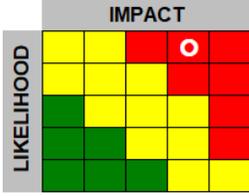
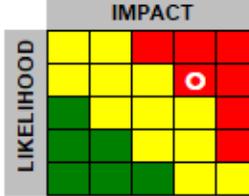
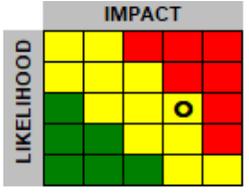
| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|--|---|---|
| Market failure of Social Care provision across Adult and Children’s |  |  |  |
| Causes | <ul style="list-style-type: none"> • Capability and capacity of the available workforce to provide domiciliary care • Lack of diversity of supply in the market to provide choice and control • Impact of Covid-19 and need for mandatory vaccination • Capability and capacity of the available workforce within the care home market | | |
| Result | <ul style="list-style-type: none"> • Inability to provide packages of care for service users and fulfil statutory duty of care • Lack of alternative providers able to support social care • Poor quality service provision and high costs • Significant increase in unmet needs of service users due to a fragile market that is not developing • Inability to meet sufficiency duty • Growing number of children placed out of borough with more LA's placing young people within Borough, placing additional pressure on ASC markets linked to transitions | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Market Position Statement and refresh of Children's Sufficiency strategy 22-25 • Strengthen governance - Executive Commissioning Group/Strategic Commissioning Group • Strategic Commissioning Team - increased interim capacity • Commissioning priorities reset and improvement plan in place • Health and Wellbeing Strategy 2020-2025 • Winter Planning/checklist • Robust supply chain review undertaken • Demand Management Programme in adults and children's • Local Dynamic Purchasing system - approved by Cabinet • Cost of Care exercise now in process and on track to meet national reporting requirements • Re-procurement framework development has now commenced, and update scheduled for Cabinet June 2022. Timescale for procurement has been completed. • Extension of arrangements for block purchasing of hours in place to support hospital discharge and other opportunities to adopt similar arrangement being explored in the South • Fees 22/23 report completed and implemented • Weekly escalation meetings with HOS and to DASS in place • Market position for ASC reporting now embedded into system calls • Links maintained across C&M DASS group with key areas of focus on Market Sustainability, Home First and Discharge • LGA Peer challenge completed in July 2022 which will consider market oversight and sustainability | | |
| Risk owner | ED ASC&H, ED CSC&E | | |

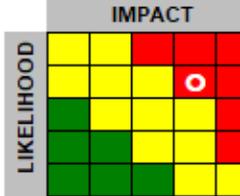
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| Proposed actions | <ul style="list-style-type: none"> • Strengthened oversight of Quality Assurance with dedicated Senior Manager support will add the ability to refocus quality assurance resources on identified areas of risk in the market and gather intelligence to inform risks and ensure resilience and capacity. • Continue to focus on strategic plans to current contracts to ensure Value for Money and objectives are met. • Development of new opportunities through Sefton Place Based Partnership development • Children's High Risk/High-Cost Project, Commissioning priorities and full work plan in progress with extension • Recruitment for Senior Commissioning Leadership post in process • Recruitment campaign developed with Market with ongoing input from Sefton at Work • Development of contingency plans for provider failure - risk escalation process • Cost of care exercises for care homes (65+) and Domiciliary Care (18+) concluded in line with DHSC requirements and outcomes to be submitted to DHSC by 14 Oct 2022. • links maintained with LCR on key market risks (capacity, workforce, cost of living, ceasing of covid funding, demand) • New Procurement for Domiciliary Care to commence in October 2022 (with new framework in place from April 2023) -agreed at June Cabinet • LGA Peer challenge completed in July 2022 which will consider market oversight and sustainability • Integrated commission arrangements will develop via new place arrangement. • Market Sustainability Plan and Fair Cost of Care Exercise to be sent to Central Government mid-October. • National Government Market Sustainability funding applied to Dom Care and care homes 65+ • Winter planning continues and work to mobilise a rapid and reablement expansion continues |
|-------------------------|--|

| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|---|---|---|
| Climate Emergency - Failure to meet the targets set out in the Council's declared climate emergency |  |  |  |
| Causes | 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. | | |
| Result | <ul style="list-style-type: none"> • Further deterioration in air quality • Extensive Coastal Erosion • Further deterioration in overall Sefton Environment • Sefton fails to support the drive to reduce carbon emissions that are having a significant impact on climate change • Reduced life expectancy • Reputational damage having declared an emergency and agreed a strategy and implementation plan | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Council has declared a climate emergency • Council has agreed the Strategy to meet this Declaration • Initial activities all completed • 3-year implementation place agreed by Council • Pathway to net zero articulated in latest annual report including residual amount that maybe left and financial support that will be required from central government for decarbonisation • Annual Reports track progress and are reported to Cabinet and Council • 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 procurement of 100% renewable electricity | | |
| Risk owner | ED CR&CS and ED People | | |
| Proposed actions | <ul style="list-style-type: none"> • Introduce 100% renewable electricity • Ensure completion of initial 3-year implementation place • 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 • Work with Combined Authority on communication strategy and leverage the CA to identify external funding and align with their programme of works • 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. Work on-going with Multi Agency Partnership to galvanise alignment with Partners activity in this area and influence delivery in line with Sefton's Strategy. | | |

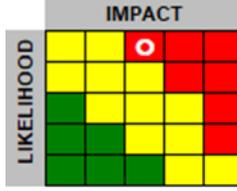
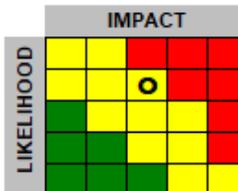
| Risk Description | Previous risk score | Current risk score | Target risk score |
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| Demand and Cost of Home to School Transport – Impact on the Financial Sustainability of the Council |  |  |  |
| Causes | Increasing expenditure is being driven by: <ol style="list-style-type: none"> 1) The rising number of children and young people with an Education Health and care plan. 2) The rising number of children and young people whose needs are not met in local mainstream provision and placed in educational provision outside the local area 3) The rising cost of fuel and living 4) Driver and escort shortages, competing for scarce resources | | |
| Result | <ul style="list-style-type: none"> • Supply unable to match demand • Increased waiting time for users, impact on school attendance • Financial and reputational risks, financial sustainability of council could be compromised, budget pressure cannot be contained • Capacity of the workforce to meet this demand • Potential for poor service delivery • Negative socio-economic impact • High level of media and public interest in the council's actions • Loss of reputation | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Report to Leadership Team and Cabinet • Engagement with SEND on how demand can be contained • Review of In-House Fleet and post 16 charging policy • Monthly finance reports • On-going review of all provision • Personal travel budgets | | |
| Risk owner | Assistant Director of Education Excellence | | |
| Proposed actions | <ul style="list-style-type: none"> • Expand personal travel budget programme • Explore expansion of in-house fleet • Engagement with SEND on how demand can be contained • Review of travel solutions, focus on Post 16, out of borough, single occupancy and personal assistants | | |

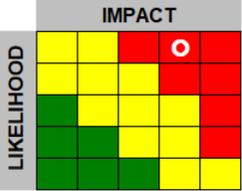
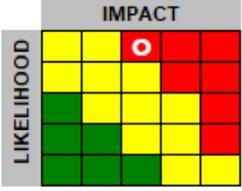
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|---|---|-------------------|
| Market Failure of Social Care Provision across Adults and Children’s |  |  | TBC |
| Causes | <ul style="list-style-type: none"> • Lack of national response to the Independent Review of Children’s Social Care and report by the Competition and Markets Authority calling for action on the children’s social care market • National and regional pressures in Social Work recruitment and available workforce • Sufficiency in children’s residential provision | | |
| Result | <ul style="list-style-type: none"> • Lack of alternative providers able to support social care • Poor quality service provision and high costs • Increase in unmet needs of children and young people due to a fragile market that is not developing. • Inability to meet sufficiency duty • Growing number of children placed out of borough with more LA’s placing young people within Borough, placing additional pressure on ASC markets linked to transitions • Reliance on high cost out of borough residential provision for children and young people | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Joint Strategic Needs Assessment and supporting Children’s Chapters • Market Position Statement and refresh of Children’s Sufficiency strategy 22-25 • Strengthened governance - Executive Commissioning Group/Strategic Commissioning Group • Strategic Commissioning Team - increased interim capacity • Commissioning priorities reset and improvement plan in place • Local Dynamic Purchasing system - approved by Cabinet • Re-procurement framework development has now commenced, and update scheduled for Cabinet. • Strengthened oversight of Quality Assurance with dedicated Senior Manager support will add the ability to refocus quality assurance resources on identified areas of risk in the market and gather intelligence to inform risks and ensure resilience and capacity | | |
| Risk owner | ED CSC and Education | | |
| Proposed actions | <ul style="list-style-type: none"> • Development of new opportunities through Sefton Place Based Partnership development • Children’s High Risk/High-Cost Project, Commissioning priorities and full work plan in progress • Recruitment for Senior Commissioning Leadership post in process • Development of contingency plans for provider failure - risk escalation process • Links maintained with LCR on key market risks (capacity, workforce, cost of living, ceasing of covid funding, demand) • Develop business case for inhouse provision of Children’s residential care | | |

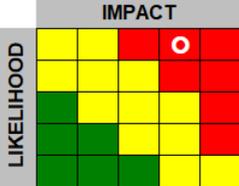
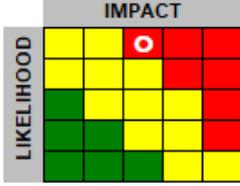
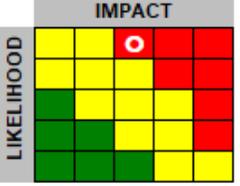
| Risk Description | Previous risk score | Current risk score | Target risk score |
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| Inflation and cost of care impact on budget availability |  |  |  |
| Causes | <ul style="list-style-type: none"> National Care Crisis reflected at regional and local level Increasing provider costs – CPI etc / Impact of national decisions such as increase to National Living Wage Increased pressure to implement Real Living Wage – including to mirror approach adopted by other regional Local Authorities Workforce issues – recruitment, retention, pay and conditions/ Affordability | | |
| Result | <ul style="list-style-type: none"> Budgetary impact / Council overspend Failure to meet statutory obligations Provider failure Needs of the population being unmet Contracts being handed back – leading to potential increased use of non-contracted Providers Reputational damage | | |
| Current treatments and controls | <ul style="list-style-type: none"> Cost of Care exercise commissioned externally, and completed in line with DHSC requirements Market management by strategic commissioning re increased efficiencies Establishment of Local Framework Agreements to manage costs in process Establishment of Strategic Partnerships with providers Utilisation of workforce grants to support the market Involvement with regional forums e.g., NW ADASS Operational Commissioners Group to ensure collaborative approach, updates on key developments Collaborative fee setting exercise complete- paper to cabinet June 2022 LGA Peer Review completed July 2022 Strategic review of budget in process as part of Sector Led Improvement offer | | |
| Risk owner | ED ASC&H | | |
| Proposed actions | <ul style="list-style-type: none"> Cost of Care Exercise completed in line with DHSC requirements Use of bespoke cost of care tools to calculate costs Implementation of Local Frameworks to control costs and commissioning activity (in process) Benchmarking with regional authorities Enhance pooled budget arrangements with Health in development in line with Place arrangements Integrated approach to commissioning further enhanced (Intermediate care, market sustainability) Transformation programme – realignment / redistribution of expenditure across service sectors to reflect actual/desired changes in demand Care Cap reform work commenced – paper submitted to ELT – Go live October 2023 | | |

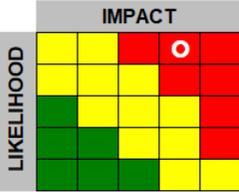
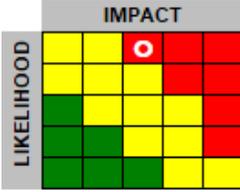
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|---|---|-------------------|
| Failure to Manage Increasing Demand for Services |  |  | TBC |
| Causes | <ul style="list-style-type: none"> • Lack of national response to the Independent Review of Children’s Social Care and report by the Competition and Markets Authority calling for action on the children’s social care market • Increase in the number of children needing a Social Care intervention across the spectrum of need. • Lack of common understanding of spectrum of need. • Budget pressures | | |
| Result | <ul style="list-style-type: none"> • Increased safeguarding risks • Poor outcomes for children in Sefton • Inability to cope with demand • Reputational damage | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Joint Strategic Needs Assessment and supporting Children’s Chapters • People Strategy and Action Plan • Sefton Stronger Together Partnership • Level of Need document shared across partnership • Recruitment campaign for in house foster carers • Quality Assurance Framework • Practice Standards • Monthly Senior Management Performance Management meetings • Regular audit of cases, scrutiny of data and understanding of cohort to predict future demand (needs analysis). • Greater emphasis on the right response at the right time to enable intervention more swiftly and avoid drift and delay. • Budget monitoring • Increased scrutiny on the decision to bring a child and the exploration of safe alternatives. | | |
| Risk owner | Executive Director and Assistant Director of Children’s Services | | |
| Proposed actions | <ul style="list-style-type: none"> • Transfer of Early Help into Children’s Services • Embed performance culture • Review of Safeguarding Partnership • Review of existing kinship care placements with a view to making these into SGO arrangements. • Develop channels to gain family feedback and incorporate into service delivery. | | |

| Risk Description | | Previous risk score | Current risk score | Target risk score |
|---|--|---------------------|--------------------|-------------------|
| Impact of Regulatory Framework Outcomes | | | | TBC |
| Causes | <ul style="list-style-type: none"> Ofsted Monitoring Visits Further inspection of services under the ILAC framework | | | |
| Result | <ul style="list-style-type: none"> Services are found to not adequately safeguard children Reputational damage to the Council and Statutory partners Loss of confidence in partnership arrangements | | | |
| Current treatments and controls | <ul style="list-style-type: none"> Improvement board established under DfE improvement notice DfE Advisor supporting Improvement Programme Phase 1 Improvement Plan progressing Regular reports to Overview & Scrutiny Self-evaluation has been refreshed and updated Performance dashboard Quality Assurance Framework. | | | |
| Risk owner | Executive Director and Assistant Director of Children's Services | | | |
| Proposed actions | <ul style="list-style-type: none"> Continue with Improvement Board oversight Scrutineer to join Improvement Board Progress recommendations made by Children's Commissioner Report progress and risk to Overview & Scrutiny Develop Phase 2 of Improvement Plan Review Quality Assurance Framework Continue with Audit regime. | | | |

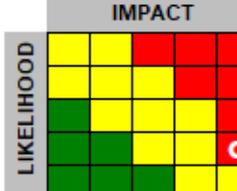
| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|--|---|---|
| <p>School debts transferring back to the Council in the event of them being forced into academy status or closing.</p> |  |  |  |
| <p>Causes</p> | <ul style="list-style-type: none"> Schools with Licensed 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 able to provide an action plan and assurance that the school can address its' financial concerns and become viable and so Elected Members formally agree to the closure of the school. | | |
| <p>Result</p> | <ul style="list-style-type: none"> 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 2022/23. The overall deficit of the above establishments in 2022/23 is approx.£1.82m | | |
| <p>Current treatments and controls</p> | <ul style="list-style-type: none"> All Schools requesting Licensed Deficit Budget agreement must provide 3-year financial plan to the Council by 30th April each year and get approval to operate under a Licensed Deficit Agreement. 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. Quarterly report to Sefton Council's Cabinet Member for Education on overall financial risk to the Council and performance of each school against the agreed Licensed Deficit Plans. Termly meetings with Assistant Director of Education 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. 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. 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. | | |
| <p>Risk owner</p> | <p>Assistant Director Children's Services (Education)</p> | | |
| <p>Proposed actions</p> | <ul style="list-style-type: none"> Continued operation of Licensed Deficit Agreements and scrutiny of school financial plans and ongoing support to Governing Bodies 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. 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. Sacred Heart converted to the Pope Francis Multi Academy Trust in July 2023. St Teresa's closed on 31st August 2022 | | |

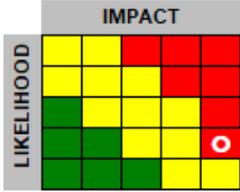
| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|---|---|---|
| Failure to mitigate impacts of COVID-19, on Recovery and Cost of Living Crisis for the Sefton economy |  |  |  |
| Causes | Lack of support for business Lack of progress on projects that can support recovery Lack of capital and revenue funding from government Impact of wider issues on local businesses (e.g., national retailers) Loss of key employers to the borough and towns, particularly Bootle and HMRC, Santander Impact on key sectors (especially hospitality) in Southport | | |
| Result | <ul style="list-style-type: none"> • Increased business failure • Vacancy/skills gaps/Increased unemployment • Income disparities in Sefton's Lower Super Output areas (north and south Sefton) • Financial and reputational risks to the Council • Impact on communities of port disruption, increased traffic, etc • Loss of reputation • Impact of wider economic change on residents, particularly the most vulnerable | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Sefton Covid Recovery plans in place and will be replaced by Sefton Economic Strategy (SES) 2022/24 • Consultation on economic evidence base 20 July-17 August 2022 • Feedback will, where appropriate, be fed into the development of a new SES & action plan that will require approval by Cabinet in October 2022. • SES will be overseen by the Economy Cell which will report through the Growth board and Executive Director for Place • Growth programme - Will ensure through regular review and Stewardships that projects if applicable focus on recovery for the Economy • Ongoing business and Employment support via Invest Sefton and Sefton@Work in context of an ongoing recovery and replacement EU monies via UKSPF Full engagement in regional growth-related forums • Establishment of multi-stakeholder working groups focused on recovery in key town centres. • Delivery of Southport Town Deal development projects • Submission of Levelling up bid for Bootle | | |
| Risk owner | Assistant Director of Place (Economic Growth and Housing) | | |
| Proposed actions | <ul style="list-style-type: none"> • The Sefton Economic Strategy is under complete review and will include all actions associated with recovery from pandemic. • Revised SES will be completed for October 2022 Cabinet decision • Actively pursue opportunities for additional external funding via LCR/CA and HMG to develop projects • Investor proposition development and proactive business development activity to ensure attraction and retention of businesses and employers in the borough | | |

| Risk Description | Previous risk score | Current risk score | Target risk score |
|---|--|---|---|
| <p>Ability of the Council to Recruit to its Workforce in order to Deliver its Core Purpose.</p> |  |  |  |
| Causes | <p>Due to the contraction of the labour market both nationally and locally the council cannot recruit sufficiently skilled staff in order to meet business need.</p> | | |
| Result | <ul style="list-style-type: none"> • The council does not have the capacity to deliver the services it needs to at the pace or standard required. • Due to the contraction in the market the council cannot recruit to key roles – over the past 12 months this has been evident in Social Care, Regeneration, Procurement, Performance Property and Finance. • Such a scenario places increased pressure on the workforce that cannot be maintained over the long term. • In addition to the lack of candidates in the market seeking permanent employment and a reduction in availability of temporary or agency staff, the cost of bringing in temporary cover is increasing exponentially thus creating budget pressure. | | |
| Current treatments and controls | <ul style="list-style-type: none"> • The Council's approach to recruitment and retention has been and will continually be the subject of review. This will be a key theme within the forthcoming workforce strategy • The Council is building on the success in some areas will seek to 'grow its own' workforce with the promotion of apprenticeships, the social worker academy and graduate programmes • The Council will seek to continually enhance its culture in order that staff remain in Sefton • The Council will work with Liverpool City Region Partners to recruit talent nationally and look at training and development programmes across the region that will be attractive to potential candidates | | |
| Risk owner | <p>All Assistant Directors</p> | | |
| Proposed actions | <p>This is a new risk and treatments, and controls are new in place at this time.</p> | | |

| Risk Description | Previous risk score | Current risk score | Target risk score |
|--|--|---|---|
| ASC Workforce – recruitment, availability of suitably qualified staff and retention of current workforce |  |  |  |
| Causes | Inability to recruit qualified personnel - regional/nationwide issue Working conditions and work pressures | | |
| Result | <ul style="list-style-type: none"> • Increased waiting times leading to delays in responsiveness for some individuals and carers. • Risk to delivery of certain statutory functions in specific areas, • Potential to miss priority and vulnerable service users • Potential for poor service delivery • Reduction of quality assessment and support planning due to demands on staffing • Challenges to budget management and forecasting • Increase in service user complaints • Poor morale and higher turnover of staff due to increased pressure on other colleagues • Increased management resource needed to deal with HR issues | | |
| Current treatments and controls | <ul style="list-style-type: none"> • Targeted action to attract and retain key roles e.g., AMHP's, BIA's (enhancement for OOA AMHP now in place) • Processes in place to monitor waiting times and cases pending at Senior Level including action taken to mitigate any potential risk- oversight at strategic performance and resource meeting • Staff induction and training and induction plans reviewed • Personnel and HR policies to address concerns around capability and performance • Process to monitor and manage staff absence - additional support from HR and promotion of wellbeing support • PDR process and assessment of training needs • Professional Practice Forum established • Robust training plan for ASYE Adults programme • Regular staff training events in place • Core training offer in place to support professional development and retention • Empower staff to value continued improvement - Focus on reading time for front line staff • Apprenticeship scheme expansion - opportunities now available across a range of roles and professions - managerial, professional, business and administration to aid development and succession planning • Final draft of Career Progression Framework awaiting final sign off • Strategic Workforce meeting now in place • OT apprenticeships in place • Increased visibility of workforce metrics via performance framework with further enhancement planned aligned to National Assurance Framework | | |

| | |
|-------------------------|---|
| | <ul style="list-style-type: none"> • Refreshed Staff bulletin now developed in collaboration with comms • ASC now represented on NWADASS workforce Board - to ensure regional and national initiatives are engaged with. • Initial phase of work force strategy is in process however further work to be undertaken regarding longer term demands and impact of Integration • New supervision policy drafted • Attend ELT Workforce Strategy Group to develop Corporate Workforce Strategy • Peer review completed July 2022 • Review of existing Apprenticeship arrangements for OT and SW to increase targets and success levels completed • Review of agency staff usage across all service areas completed continue to monitor • Review of regional and national workforce initiatives • Strategic review of budget and income completed to support investment • Staff communication strategy has been refreshed and workshops planned with frontline colleagues and leaders (including back to the floor) |
| Risk owner | Assistant Director of ASC |
| Proposed actions | <ul style="list-style-type: none"> • People Strategy for ASC at final sign off stage • Recruitment campaign now being implemented including increased use of social media • Review of weekend working in process • Development of improved provision of workforce metrics being developed with HR to ensure service meets requirements of National Assurance Framework • Review of key posts and JDs to ensure market competitiveness and compliance with new system approaches Oct 2022 collated central point for storage of JDs for further review • Place based Integrated Workforce strategy to be developed |

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

| 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 |  |  |  |
| Causes | Budget reductions, inadequate funding levels and capacity to meet needs of strategy. | | |
| Result | <ul style="list-style-type: none"> Digital and technology is a key enabler within multiple workstreams of the authority and its transformation programmes as well as being recognised as an enabler of economic growth. Non-delivery across digital workstreams would impact on key workstreams and economic growth. | | |
| Current treatments and controls | <ul style="list-style-type: none"> 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. | | |
| Risk owner | ED People | | |
| Proposed actions | <ul style="list-style-type: none"> 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. | | |

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | The Follow up of Audit Agreed Actions | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | 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 and performance is above the industry benchmark of 65%.

A review of the outstanding actions from all audits between 2018/2019 to 2021/2022 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council. Of particular concern is the 2019/2020 performance where it could be expected that there would be a greater proportion of the agreed actions would be implemented at this point and a focus on the eight High priority agreed actions where the progress is considered to be outstanding. There is no doubt that the during the pandemic resource was focused on essential activities required to mitigate the effects on the Borough however we have left this period behind.

Members are invited to consider the overall performance for the completion of the actions is satisfactory, being above the benchmark, however, should be concerned by the small number of agreed actions where no response could be obtained from management and the eight High Priority agreed actions that are outstanding for 2018/2019.

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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.

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:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resources implications from this report.

Legal Implications: There are no legal implications

Equality Implications: There are no equality implications.

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 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.

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 (FD7037/22) and the Chief Legal and Democratic Officer (LD5237/22) 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.

| | |
|-------------------------|--------------------------|
| Contact Officer: | 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.

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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 16 March 2022 states;
“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 16 March 2022, 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

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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. We provide colleagues three opportunities to respond by email before escalating to the Audit and Governance Committee.

2. Action taken to provide report

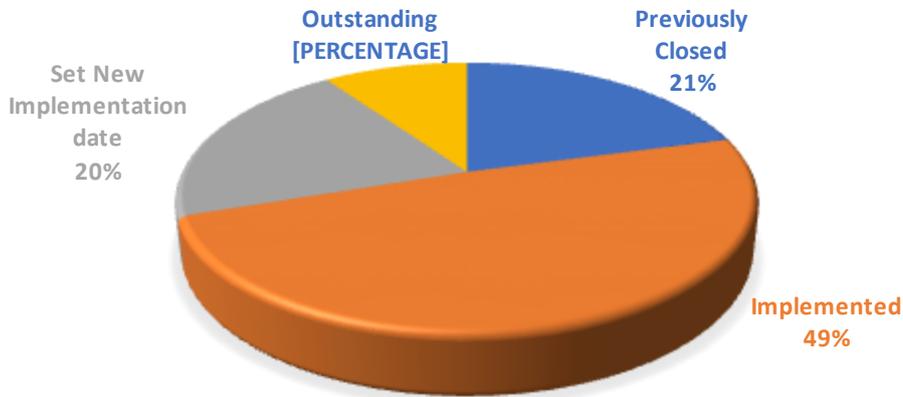
- 2.1 We are reporting progress for the past four financial years including an update for all responses received from all Service Area up to and including 2 November 2022.
- 2018 - 2019
 - 2019 - 2020
 - 2020 – 2021
 - 2021 – 2022
- 2.2 The below audits were excluded from this follow up exercise as they are being followed up individually and will be reported separately in March 2023.
- ASC Debt
 - Framework for Change - Estate and Asset
 - Framework for Change - Key Project Delivery
 - Corporate Governance Review Agreed Actions
- 2.3 During the exercise to provide this report, Audit were informed that Children Centres no longer exist within Sefton as there were part of a large re-structure and merged with a number of other service areas to become Family Wellbeing Centres. Therefore, the agreed actions for the below Children Centre's were marked as closed.
- Linaker Children's Centre
 - Netherpton Children's Centre
- 2.4 Review of data shows that there are 351 agreed actions for the past four years, of which 73 (21%) were implemented during the previous follow up exercise. Since then, a further 172 (49%) agreed actions have been implemented and 72 (20%) agreed actions have been given a new implementation date. There are 34 (10%) agreed actions still outstanding where Audit team were unable to obtain an update from the department. This is illustrated in Table and Chart 1 below.

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Table 1 – 2018/2019 – 2021/2022 Agreed Actions Status

| | |
|-----------------------------|------------|
| Previously Closed | 73 |
| Implemented | 172 |
| Set New Implementation date | 74 |
| Outstanding | 32 |
| Total | 351 |

Chart 1 – 2018/2019 – 2021/2022 Agreed Actions Status



2.5 Over the past four years there were 58 (16%) High priority agreed actions, of which 45 have been implemented. There were 210 (60%) Medium priority agreed actions, of which 142 have been implemented and there were 83 (24%) of low priority agreed actions, of which 58 have been implemented.

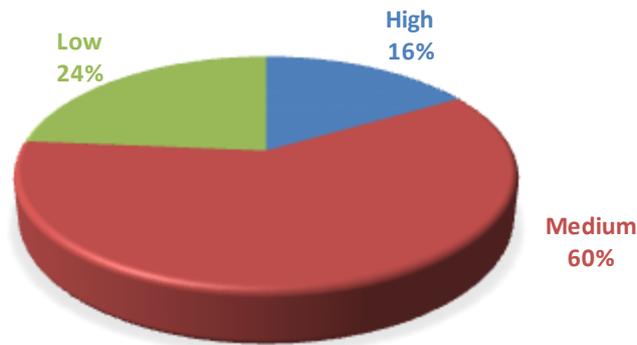
2.6 Table 2 illustrates the numbers of High, Medium and Low risk agreed actions for 2018/2019 – 2021/2022 financial years along with the status of whether outstanding or implemented.

Table 2 – 2018/2019 – 2021/2022 Agreed Actions Priority Status

| Priority | Implemented | Outstanding | Total |
|--------------|-------------|-------------|------------|
| High | 45 | 13 | 58 |
| Medium | 142 | 68 | 210 |
| Low | 58 | 25 | 83 |
| Total | 245 | 106 | 351 |

2.7 Chart 2 illustrates the overall number of High, Medium and Low priority agreed actions for 2018/2019 – 2021/2022 financial years.

Chart 2 – 2018/2019 – 2021/2022 Agreed Actions Priority Status



3. 2018/2019 Financial Year

3.1 Review of data for financial year 2018/2019 shows that all High priority agreed actions have been implemented, 15 Medium priority agreed actions are outstanding, of which eight have been set a new implementation date. Six Low priority agreed actions are outstanding, of which four have been set a new implementation date.

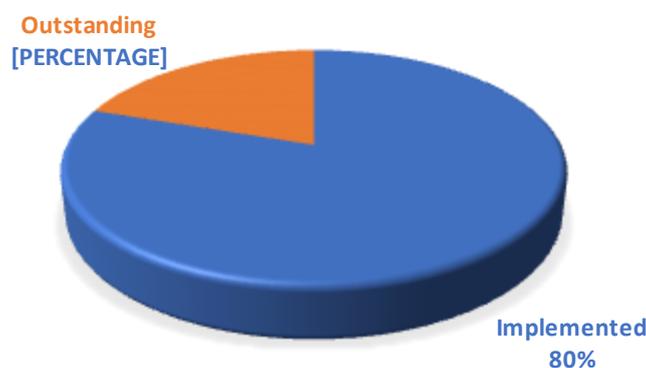
3.2 Table 3 illustrates the numbers of High, Medium and Low risk agreed actions for the 2018/2019 financial year along with the status of whether outstanding or implemented

Table 3 – 2018/2019 Agreed Actions Status

| Priority | Implemented | Outstanding | Total |
|--------------|-------------|-------------|------------|
| High | 14 | 0 | 14 |
| Medium | 56 | 15 | 71 |
| Low | 15 | 6 | 21 |
| Total | 85 | 21 | 106 |

3.3 Chart 3 illustrates the overall number of implemented and outstanding agreed actions for the 2018/2019 financial

Chart 3 – 2018/2019 Agreed Actions Status



This analysis shows that 80% of agreed actions have been implemented and 20% of Medium and Low priority agreed actions are still outstanding.

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4. 2019/2020 Financial Year

4.1 Review of data for financial year 2019/2020 shows that eight High priority agreed actions are outstanding, of which five have been set with a new implementation date. There are 30 Medium priority agreed actions, of which 16 have been set with a new implementation date and there are nine Low priority agreed actions, of which two have been set with a new implementation date.

4.2 Table 4 illustrates the numbers of High, Medium and Low risk agreed actions for the 2019/2020 financial year along with the status of whether outstanding or implemented

Table 4 – 2019/2020 Agreed Actions Status

| Priority | Implemented | Outstanding | Total |
|--------------|-------------|-------------|------------|
| High | 18 | 8 | 26 |
| Medium | 58 | 30 | 88 |
| Low | 28 | 9 | 37 |
| Total | 103 | 48 | 151 |

4.3 Chart 4 illustrates the overall number of implemented and outstanding agreed actions for the 2019/2020 financial year.

Chart 4 – 2019/2020 Agreed Actions Status



4.4 This analysis shows that 68% of agreed actions have been implemented and 32% of agreed actions are still outstanding.

5. 2020/2021 Financial Year

5.1 Review of data for financial year 2020/2021 shows that one High priority agreed actions is outstanding and has been set with a new implementation date. Two Medium priority agreed actions are outstanding with both having been set new implementation dates and there is no Low priority agreed actions outstanding.

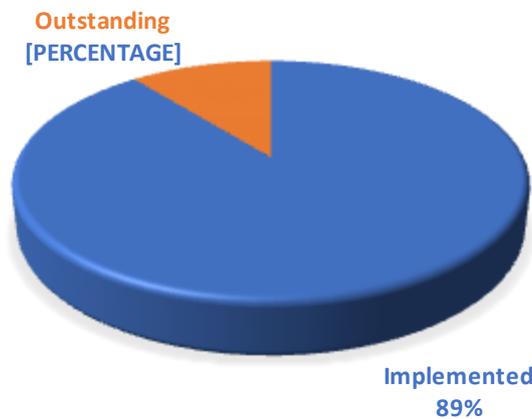
5.2 Table 5 illustrates the numbers of High, Medium and Low risk agreed actions for the 2020/2021 financial year along with the status of whether outstanding or implemented

Table 5 – 2020/2021 Agreed Actions Status

| Priority | Implemented | Outstanding | Total |
|--------------|-------------|-------------|-----------|
| High | 11 | 1 | 12 |
| Medium | 12 | 2 | 14 |
| Low | 2 | 0 | 2 |
| Total | 25 | 3 | 28 |

5.3 Chart 5 illustrates the overall number of implemented and outstanding agreed actions for the 2020/2021 financial year.

Chart 5 – 2020/2021 Agreed Actions Status



This analysis shows that 89% of agreed actions have been implemented and 11% of agreed actions are still outstanding.

6. 2021/2022 Financial Year

6.1 Review of data for financial year 2021/2022 shows that three High priority agreed actions, 21 Medium priority agreed actions and ten Low priority agreed actions have all been set with a new implementation date.

6.2 Table 6 illustrates the numbers of High, Medium and Low risk agreed actions for the 2021/2022 financial year along with the status of whether outstanding or implemented

Table 6 – 2021/2022 Agreed Actions Status

| Priority | Implemented | Outstanding | Total |
|--------------|-------------|-------------|-----------|
| High | 3 | 3 | 6 |
| Medium | 16 | 21 | 37 |
| Low | 13 | 10 | 23 |
| Total | 32 | 34 | 66 |

6.3 Graph 6 illustrates the overall number of implemented and outstanding agreed actions for the 2021/2022 financial year.

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Chart 6 – 2021/2022 Agreed Actions Status



This analysis shows that 48% of agreed actions have been implemented and 52% of agreed actions are still outstanding.

7. Summary

7.1 Analysis of data shows that from a total of 351 agreed actions for 2018 – 2022 financial year, 245 (70%) of agreed actions have been implemented with 106 (30%) of agreed actions still outstanding. An industry benchmark is 65% of agreed actions should be implemented by the original date therefore the Council's performance is above the benchmark. This is illustrated in Chart 7 below.

Chart 7 - 2018 - 2022 Agreed Actions Status



7.2 The 30% of outstanding agreed actions includes 10% (32) of agreed actions where Audit team were unable to obtain a response from the Service Areas. This element of the performance is disappointing, our intention is to bring back a report in March 2023 outlining our progress to obtain a response, as well as the progress on the four audits detailed in 2.2.

7.3 A review of the outstanding actions from all audits between 2018/2019 to 2021/2022 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council. Of particular concern is the 2019/2020 performance where it could be expected that there would be a greater proportion of the agreed actions would be implemented at this point and a focus on the eight High priority agreed actions where the progress is considered to be outstanding. There is no doubt that the during the pandemic

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resource was focused on essential activities required to mitigate the pandemic's effects on the Borough and less on the control improvements needed.

- 7.4 Audit have engaged with Services to understand the impact on timescales agreed and what the realistic, achievable revised dates for completion of actions is now likely to be. This work will continue, and the outcome will be shared with Audit and Governance Committee.
- 7.5 Members are invited to consider the overall performance for the completion of the actions is good, being above the benchmark. However, Members should be concerned by the small number of agreed actions where no response could be obtained from management and the eight High Priority agreed actions that are outstanding for 2019/2020 which we will bring forward with a detailed response at the meeting in March 2023.
- 7.6 We will continue to closely monitor the progress and report to the Committee regularly over the next financial year including a further update in March 2023 on the four audits we have not completed our follow up work on, the outstanding responses to the agreed actions and the eight High risk agreed actions from 2019/20. Should the position for the outstanding agreed actions not improve over the next financial year, we will work with management to ensure that there is suitable priority given to the outstanding actions.

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Risk and Audit Service: Performance

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Audit and Governance Committee
14 December 2022

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Risk and Audit Service
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Agenda Item 7

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1. Executive Summary

1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 1 September to 30 November 2022.

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

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

1.3 The report highlights the following key points:

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

2. Introduction

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

2.4 This report summarises the main aspects of the performance of the Service for the period 1 September 2022 to 30 November 2022, covering the following areas:

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

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

3. Internal Audit: Performance Update

3.1 Completion of 2022/23 Audit Plan from 13 August 2022 to 30 November 2022

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

| Audit Engagement | Audit Opinion | Recommendations | | | Progress since last update |
|-----------------------------------|---------------|-----------------|--------|-----|--|
| | | High | Medium | Low | |
| Final Reports issued | | | | | |
| Operator's Licence | Minor | 0 | 3 | 2 | Final Report issued. |
| SEND 2021/22 | Major | 4 | 2 | 1 | Final report issued. |
| AGS 2021/22 | n/a | n/a | n/a | n/a | The Final Annual Governance Statement has been shared with the Chief Executive and with SLB. |
| Corporate Governance Report 21/22 | Moderate | 4 | 0 | 0 | Final report issued. |
| Performance Management | Minor | 0 | 1 | 5 | Final report issued. |
| Aiming High | Moderate | 3 | 8 | 0 | Final Report Issued |
| Beach Parking Income | Moderate | 0 | 5 | 3 | Final Report Issued. |
| Golf Income | Moderate | 0 | 6 | 3 | Draft report has been issued to the client for consideration. |
| Schools Budget Monitoring | Moderate | 0 | 5 | 1 | Final Report Issued |
| Contain Outbreak | | | | | The grant certified for £12.7 million. The proposed work |

| Audit Engagement | Audit Opinion | Recommendations | | | Progress since last update |
|---------------------------------------|---------------|-----------------|--------|-----|--|
| | | High | Medium | Low | |
| Management Fund | | | | | was included in the annual audit plan. |
| Draft Report issued | | | | | |
| Procurement | Moderate | 0 | 10 | 0 | Draft report has been issued to the client for consideration. |
| Climate Emergency | Moderate | 0 | 4 | 3 | Draft report has been issued to the client for consideration. |
| Performance Management | Minor | 0 | 1 | 5 | Draft report has been issued to the client for consideration. |
| Direct Payments | Major | 11 | 11 | | Draft report has been issued to the client for consideration. 1 August 2022 |
| Business rates | Moderate | 1 | 3 | 3 | Draft report has been issued to the client for consideration |
| Sandway Homes - 2021/22 | Moderate | 0 | 12 | 1 | Draft report issued and recently received update on narrative to facilitate discussions ahead of finalisation. |
| SeftonArc Security Services – 2021/22 | Major | 13 | 35 | 2 | We previously reported to the June Committee that the draft report had been issued in May 2022. Operational In-House Services are currently drawing up a response to the recommendations which we are expecting shortly. |
| Bedford Road School | Moderate | 0 | 7 | 1 | Draft report has been issued to the client for consideration. |
| Linaker Primary School | Moderate | 0 | 5 | 3 | The draft report has been issued. We are continuing to engage with the new Headteacher (September 2022) to request a response to the recommendations. |
| On-going work | | | | | |
| Tree Management (External Review) | | | | | Following up with Management to ensure that recommendations from the review will be addressed. Historically there has been a fragmented approach to tree management which the review has identified and |

| Audit Engagement | Audit Opinion | Recommendations | | | Progress since last update |
|---|---------------|-----------------|--------|-----|---|
| | | High | Medium | Low | |
| | | | | | tried to address. As a result, there is a need to draw up a Council wide approach. The Risk and Audit Team are seeking to facilitate with Green Sefton, the Council's in house tree management service, a corporate tree management approach that can be presented to SLB/ELT for approval. |
| ASC - Budget Management | | | | | Initial meetings arranged with clients. |
| Highways and Public Investment | | | | | Initial meetings arranged with clients |
| Children's Services Demand Management | | | | | Initial planning work was undertaken. The Ofsted Inspection covered aspects of demand management. Audit plan to review progress against the Improvement Plan later in the year. |
| Communities | | | | | Review into the purchase of goods and services as well as petty cash management/ usage. |
| Follow Up of Implementation of Internal Audit Recommendations | | | | | Activity has started to confirm with clients that audit recommendations have been implemented. The Committee is due to receive an annual report on the follow up of recommendations in December 2022 |
| PSIAS | | | | | Self-assessment undertaken and progress made in improving procedures. |
| Risk Management | | | | | Fieldwork is in progress. |
| St Elizabeth's Primary School | | | | | Fieldwork is in progress. |
| St John's, Crossens Primary School | | | | | Fieldwork has commenced and is in progress. |

| Audit Engagement | Audit Opinion | Recommendations | | | Progress since last update |
|---|---------------|-----------------|--------|-----|---|
| | | High | Medium | Low | |
| Grants certified | | | | | |
| Troubled Families Grants | | | | | Since the last update, a third quarterly grant claim has been certified totalling £107k |
| Contain Outbreak Management Fund | | | | | £12.7 million certified |
| Test and trace | | | | | £2.274 million certified |
| Marine Lake Event Centre Q1/Q2 22/23 | | | | | £1.64 million certified |
| Sefton Town Centres Claim 2022/23 Q1 | | | | | £144k certified |
| Sefton Town Centres Claim 2022/23 Q2 | | | | | £144k certified |
| Green Homes Local Authority Delivery Phase 2 | | | | | £2.525 million certified |
| CLAC 22/23 Q1 | | | | | £388k certified |
| CLAC 22/23 Q2 | | | | | £774k certified |
| TT Cables 22/23 Q2 | | | | | £28k Certified |
| Bootle Area Action Plan Q2 22/23 | | | | | £Nil certified |
| Lord Street Vacant Upper Floor | | | | | £Nil certified |
| Acquisition of land and property Bootle Bootle Town Centre 22/23 Q2 | | | | | £96k certified |

| Audit Engagement | Audit Opinion | Recommendations | | | Progress since last update |
|--|---------------|-----------------|--------|-----|----------------------------|
| | | High | Medium | Low | |
| Southport Eastern Access Corridor Q2 22/23 | | | | | £34k certified |
| Maritime Corridor Q2 22/23 | | | | | £21k certified |
| Acquisition of land and property Bootle Town Centre 22/23 Q1 | | | | | £23k certified |

3.2 High Priority Recommendations

A summary of the high priority recommendations made on draft reports issued since the last Committee meeting is provided below.

Direct Payments

- The Children’s Services and Safeguarding Overview and Scrutiny Committee Terms of Reference needs to be revised to refer to Direct Payments (DP).
- That Children’s Social Care (CSC) prepare and approve DP Guidance Notes and a DP Fact Sheet and post these on the CSC website. A DP page on the CSC website should also be created.
- The Team Manager Family Support Services engage and liaise with the Senior Self-Directed Support Officer on training on the systems for CSC Social Workers and other relevant staff.
- The report on an increase in CSC DP rates is considered and approved by Cabinet.
- That senior management ensure that the necessary and appropriate Management Information is made available and contact IT Performance Intelligence to explore if the systems can be utilised to facilitate this.
- The intended monitoring of CSC DP packages is put in place.
- Any staff completing this work should be employed by Sefton Carers Centre (SCC)
- Once approved by Cabinet the interim contract should be signed by appropriately authorised individuals on behalf of the Council in line with the Council’s CPR and Schemes of Delegation for ASC and CSC. In addition, as the contract exceeds £100k it will need to be sealed with the Council’s Seal and shall be executed by the Contractor as a Deed in line with Section 1.1.10 of the Council’s Contract Procedural Rules.

- The reports are reviewed to determine if improvements could be made, metrics relating to the three-monthly reviews are included and existing KPIs should be reviewed discussed and finalised and included in the interim contract.
- The suggested wording for Internal Audit access is included in the interim contract with SCC.
- Details of what is to be provided for each element and what services are received together with the charges for each is clearly clarified in the interim contract.

Business Rates

- Management will ensure that timely action is taken to recover debts in accordance the documented procedures. To support this management should routinely review a sample of debts to ensure that the required recovery actions are taking place and provide regular updates to relevant team meetings/ Committees on the overall debt position so that progress made to recover debt can be monitored and issues escalated where needed.

3.3 Other Added Value Work Completed

To assist the Committee in its understanding of the broad range of assistance and value that the Audit team has provided across the Council we have included some examples.

- Provided advice and guidance to Democratic Services on the Audit Committee effectiveness and the Terms of Reference
- One investigation involving the payment to staff on duty rotas.
- One investigation involving the potential misuse of Council assets. The review has identified control design and operation weaknesses which once the work has been completed will be shared with Members

3.4 2022/23 Resources and Performance

The following table outlines the Audit Team’s performance against the Key Performance Indicators outlined in the Audit Plan agreed by the Committee in March 2022. Figure 1 shows progress made against the Audit Plan.

| Description and Purpose | Target | Actual | Variance and Explanation |
|---|-----------------|-------------------------------|---|
| Percentage of the Internal Audit Plan completed | 67% | 46% | 21% |
| 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 | See graph below | See graph below and narrative | Resources have not been in post as originally planned. Performance based on |

| Description and Purpose | Target | Actual | Variance and Explanation |
|--|--------|--------|---|
| assurance is being provided across the Council's systems. | | | actual resources in post slightly ahead see description below |
| <p>Percentage of Client Survey responses indicating a "very good" or "good" opinion</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> | 100% | 100% | No variance |
| <p>Percentage of recommendations made in the period which have been agreed to by management</p> <p>This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p> | 100% | 100% | No variance |

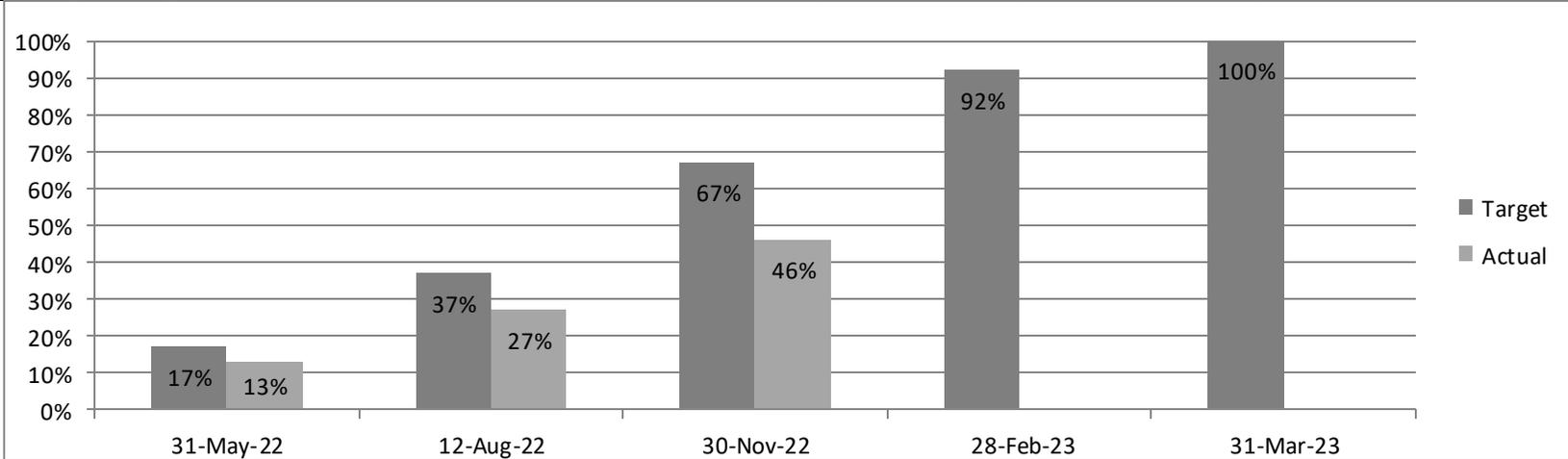


Figure 1: Percentage of the Internal Audit Plan 2022/23 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

In calculating the size and capacity of Internal Audit team for the 2022/23 Audit Plan, assumptions were made in February 2022 based on discussions with Finance colleagues over the proposed resources to deliver the plan which were included in the Internal Audit Plan presented to Members in March 2022. Conservative assumptions were used on both the onboarding of new staff from recruitment and the transfer of staff from Finance which are detailed below.

To provide additional capacity a third Principal Auditor on a fixed term contract had agreed to move from part-time to full-time from 1 April 2022 and agreed to an extension to his contract until 30 September 2022 when he left the team.

At the time in February 2022 two vacant Principal Auditor posts were advertised for recruitment and we assumed for planning purposes that the two Principal Auditors would have been recruited by June 2022 and in post. Only one of the two vacant posts have we been able to fill with a suitable experienced and qualified candidate however they were unable to start until 1 August 2022. We have subsequently filled the outstanding vacancy with a temporary member of staff, from 1 October 2022 until 31 March 2023. There is still a tight recruitment market for Internal Audit staff with very few suitably experienced and qualified candidates willing to apply for roles.

In addition, we expected to receive a full time CIPFA trainee from June 2022 to help deliver the Plan, as part of the Council's CIPFA Graduate Development Programme which involves providing experience across a number of areas within Finance service. Unfortunately, this expected rotation was delayed from June 2022 until the end of August 2022. In addition, the trainee continued in their previous placement for one day per week during September to provide support. The staff member, as they are training for their CIPFA qualification, is studying between one and two days per week from September to December 2022 however there is no CIPFA training between December 2022 and March 2023. There is a further restraint in that the staff member still had a significant amount of annual leave remaining when they moved to the Audit Team and therefore this needs to be taken in the remaining five months of the current financial year, reducing capacity.

It was also agreed in February 2022 that a CIPFA Graduate Trainees would transfer to the Audit Team once qualified - this was expected to be into a temporary two-year fixed term Principal Auditor with effect from October 2022. Unfortunately, the number of trainees to qualify in September wasn't as expected so the transfer couldn't take place – it is expected that this will now take place before the end of the financial year. The revised Audit Plan has been based on the proposed staff member not being in post for the remainder of the 2022/23 Financial Year.

The Trainee ICT Auditor who originally was a full-time member of staff at the outset of the year has changed to part time hours with effect from 1st October 2022.

The full time Internal Audit Manager has been absent from the office on unplanned leave since 5 September 2022 who had a role in completing some of the audit plan mainly focused on the grants.

It should be noted that the resources planned to be included in the audit team to deliver the audit plan, phased as discussed in the report above, was 6.2 Full Time Equivalent (FTE), At the time of writing the report, which is a snapshot of the position, there is currently 4.5FTE which is 72% of the planned complement and excludes the other work the Audit Manager would usually undertake including reviewing of reports, 1 to 1s etc.

There will be an obvious reduction in the scope of assurance that can be provided to Members however with a revised risk-based audit plan based on the resources that are here now we believe we can provide sufficient assurance to provide an annual opinion.

The position on the planned audit capacity for the team at the outset of the year was 1180 days and with the above changes has been reduced to 762 (65%) days. The current performance of 48% of the original audit plan at the 30 November 2022, where 67% is the target at this point of the financial year, is in alignment to the reduction of resources and in reality, slightly ahead of where we should be if we had started with the reduced resources. Therefore, whilst disappointing that performance is below planned at the outset the changes are outside of the Audit Team’s control.

The team are performing really well when it is recognised that in the past four months the team has consisted of three new staff members of which one is a temporary staff member, and two staff members are essentially trainee staff members. During the absence of the Audit Manager the Principal Auditors including the temporary member of staff have provided support to the new members of the team and have been flexible in picking up work across the Team which is a credit to themselves, the Team, and the organisation. The quality of the reviews and work undertaken has been good despite the resulting pressures from being short staffed.

Since the 1 April 2022 we have had five staff members absences totalling 115 days with one on-going absence taking up the significant majority of the absence performance. Whilst the rest of the absences are slightly higher than originally planned, they reflect the easing of Covid-19 restrictions and are managed in accordance with the Council’s Absence Management Procedures.

A revised audit plan has been developed for the remainder of the financial year and the following table outlines the revised audit plan. The table details the original plan with shading to indicate if the process is to be completed in the remainder of this year (blank), is on-going (yellow), has been completed (green), is being completed by the Chief Internal Auditor or external body (blue), contingency (orange) and will be deferred to 2023/24 (grey).

| Service Area | Audit Title | Revised Plan | Comments |
|--------------|-------------|--------------|----------|
|--------------|-------------|--------------|----------|

| Service Area | Audit Title | Revised Plan | Comments |
|------------------------|--|--------------|--|
| Adult Social Care | ASC Debt Management | 20 | Revisit process and sampling following 2019 audit |
| Adult Social Care | ASC - Budget Management | 20 | Corporate Risk Register - ongoing audit |
| Adult Social Care | Market Sustainability | 20 | Corporate Risk Register |
| Adult Social Care | ASC Workforce (recruitment and retention) | 20 | Corporate Risk Register |
| Adult Social Care | Sefton New Directions | 0 | work undertaken by CIA with ASC to determine and design assurance for Audit and Governance Committee. SGI in AGS |
| Adult Social Care | Direct Payments | 20 | Annual Audit Programme |
| Cross Cutting | AGS 2021/22 | 25 | Legal Requirement |
| Cross Cutting | AGS 2022/23 | 15 | Legal Requirement |
| Cross Cutting | Climate Emergency | 15 | Corporate Risk Register |
| Cross Cutting | Performance Management | 20 | Corporate Risk Register |
| Cross Cutting | Ethics | 0 | Defer until 2023/24 |
| Cross Cutting | Contingency | 15 | Allocated to Planned Audits |
| Education | Schools | 60 | Corporate Risk Register/Legal Requirement |
| Communities | Aiming High | 20 | Corporate Risk Register |
| Children's Social Care | Demand Management | 20 | Corporate Risk Register |

| Service Area | Audit Title | Revised Plan | Comments |
|------------------------|---|--------------|--|
| Education | Schools Licensed Budget Debt Monitoring | 15 | Corporate Risk Register |
| Children's Social Care | CS Inspections | 0 | Defer until 2023/24 |
| Children's Social Care | Placements and Packages | 20 | Corporate Risk Register |
| Children's Social Care | Troubled Families Grants | 10 | Legal Requirement - grant assurance |
| ICT | Cyber Security - LGA review | 0 | Corporate Risk Register and no impact on audit days |
| External Client | Sandway Homes - Financial Sustainability included. | 10 | Key Risk Area - External Body |
| External Client | SHOL | 5 | Governance review |
| Strategic Support | Data Protection – incl. Data Breaches | 20 | Corporate Risk Register |
| Strategic Support | Historic Record Management | 0 | Defer until 2023/24 |
| Risk and Resilience | Business continuity and organisational resilience | 0 | Corporate Risk Register. Lower risk so defer until 2023/24 |
| Revenues and Benefits | Energy price cap payments | 15 | Corporate Risk Register |
| Finance | LCR Grants | 50 | Annual Audit Programme. |
| Revenues and Benefits | Business Rates | 16 | Annual Audit Programme - Core System |
| Payroll | Payroll | 15 | Annual Audit Programme - Core System |
| Revenues and Benefits | Housing and Council Tax Benefits | 15 | Annual Audit Programme - Core System |

| Service Area | Audit Title | Revised Plan | Comments |
|--------------------------------|--|--------------|---|
| Personnel | Transactional Human Resources | 0 | Defer until 2023/24 |
| Risk and Resilience | Risk Management | 20 | Corporate Risk Register |
| Strategic Support | Procurement - Waivers | 20 | Corporate Risk Register |
| Strategic Support | Freedom of Information | 0 | Defer until 2023/24 |
| Finance | Debt Management | 15 | Annual Audit Programme - Core System |
| Internal Audit | PSIAS | 20 | Legal Requirement |
| Risk and Resilience | Data Analytics Implementation | 0 | Defer until 2023/24 |
| ICT | ICT Patching - LGA | 0 | No impact on Audit Days |
| Property and Building Services | Property Disposals (F4C follow-up) | 15 | Follow up to previous Audit |
| External Client | Mayor's Charity Fund | 0 | not required this financial year |
| Cross Cutting | Follow-up Recommendations | 25 | Annual Report to Audit and Governance Committee |
| Public Health | Outbreak Management Grant Money | 5 | Corporate Risk Register |
| Public Health | Public Health Grant | 20 | Annual Audit Programme |
| Public Health | Covid Grants Assurance - Review of Grant Funding | 30 | Corporate Risk Register |
| Operational In-house | Fleet Maintenance | 10 | Annual Audit Programme |

| Service Area | Audit Title | Revised Plan | Comments |
|--|---|--------------|---|
| Operational In-house | Operator's Licence | 5 | Annual Audit Programme |
| Operational In-house | Cleansing Vehicle - Keys | 5 | Annual Audit Programme |
| Operational In-house | Golf Income | 10 | Annual Audit Programme |
| Operational In-house | Beach Income | 5 | Annual Audit Programme |
| Public Health | Integrated Care | 0 | Corporate Risk Register - defer to 2023/24 as new arrangements from July 2022 |
| Highways and Public Protection | Highway Maintenance Procurement | 20 | Corporate Risk Register |
| Economic Growth and Housing Highways | Sefton Economic Strategy and Economic Recovery Plans | 15 | Corporate Risk Register |
| Economic Growth and Housing | Growth Programme - delivery of GP due to inflation/ contract management/economic uncertainty | 20 | Corporate Risk Register |
| Economic Growth and Housing Highways | Third Party Contract Management | 0 | Defer until 2023/24 |
| Highways and Public Protection/ Operational In-house | Trees - Gallagher Bassett | 0 | No impact on Audit Days |
| Highways and Public Protection | Investment in the Highways Network | 15 | Corporate Risk Register |
| Highways and Public Protection | Transport Capital Block Funding | 4 | Annual Audit Programme |

| Service Area | Audit Title | Revised Plan | Comments |
|--------------------------------|--|--------------|------------------------|
| Highways and Public Protection | Local Highways Maintenance Incentive Element Fund | 2 | Annual Audit Programme |
| | Total Revised Plan Days | 762 | |

Colour Coding

| | |
|--|--------------------------------|
| | Completed |
| | Contractor Work/ CIA |
| | Ongoing |
| | Contingency |
| | Planned to complete in 2022/23 |
| | Deferred to 2023/24 |

An emerging concern last meeting which is contributing to the delay in completing the audits on time is the completion of the audit agreed action plan after the draft action plan has been issued. We are experiencing delays in the completion of the agreed action by management and in some cases the quality of the agreed action is insufficient to address the recommendation and the risk that has been identified. This also makes it difficult to follow up as where the proposed action is unspecific or measurable, we struggle to obtain evidence and in reality, and more importantly the risk identified in is also not being addressed. As a result, the Audit Team are involved in more conversations and meetings to resolve the issues than should be the case. We will bring forward an example at the December meeting to provide insight to Members.

We intended to bring forward for December Committee an agreed approach, with Management, response time for draft reports and clear expectations on what the proposed action should look like. We have outlined a draft process however due to the shortage of resources we have not been able to circulate this in time for the December meeting and will bring this to the March 2023 meeting. Instead of bringing forward from December 2022 providing granular detail on outstanding draft reports, their date of issue, current position etc. we will do this from March 2023.

An emerging issue this quarter is the Council's management of grants through Liverpool City Region (LCR) which historically the Internal Audit Team have provided assurance on. Following recent changes of staff involved in the

assurance process it has been identified that the following areas require development so that the grant management approach is consistent across the organisation.

- There is transparency regarding which grants the Council has received and when including timetable for assurance,
- The location of grant documentation including grant determination letter and subsequent correspondence increasing the grant value,
- The responsibilities of the various staff involved in managing the grants or providing assurance e.g., Finance, Audit, Economic Growth and Housing etc,
- Ensuring that there is suitable and accurate data to assess compliance with the grant conditions at first attempt.
- Providing sufficient time and notice to enable assurance to the LCR deadlines to take place.

The Internal Audit Team have offered to work with management on an agile basis to assist in developing the process further to address the issues above and are awaiting a formal response. If Internal Audit are unable to see progress by end of the current financial year the area will be included in a planned audit plan for 2023/24 and will provide formal assurance on the process as it currently operates.

3.5 **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. The Internal Audit Service is due to be externally assessed during 2022/23. With the absence of the Internal Audit Manager this is likely to be delayed until there are sufficient resources in post.

3.7 **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.
- Developed
- Planned for our agile/hybrid return to Magdalen house.
- Evaluating the redesign of the audit report to include an improved executive summary and to shorten the main body of the report to improve readability for recipients.
- Completed the recruitment and induction of a temporary Principal Auditor who started in October 2022. This appointment is helping with the delivery of the Audit Plan.

- We have provided proposals on the introduction of the three lines of defence to management

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

- 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.
- Roll out a proposal to management to develop the three lines of defence model recommended by the Institute of Internal Auditors
- Continue with preparations for upcoming Public Sector Internal Audit External Assessment due in coming year.
- Re-advertise for the vacant Principal Auditors position from March 2023.

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 Corporate Health and Safety Team consists of two permanent and one fixed term health and safety professionals. The fixed term Health and Safety Officer (Schools and Commercial) was appointed for a two-year appointment from 1 April 2022 until 31 March 2024 with the post being filled by an existing member of staff on a fixed term contract that finished on 31 March 2022. The temporary adviser left the Council in August 2022, and a recruitment campaign is currently active to fill the vacancy.

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. The Corporate Health and Safety team supports nearly 8000 staff (including maintained school staff, and schools with a Service Level agreement in place), plus agency staff, contractors, and volunteers.

The Team continues 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.

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. Most committee meetings continue to be held virtually, using TEAMS, which has proved to be successful.

Council building and operational risk assessments are being updated, providing assurance to Council managers and staff. They include transmission of respiratory conditions, personal safety, and security arrangements.

The health and safety audit process has been redesigned, with a new programme of monitoring in place, including audits, inspections, safety tours and surveys. The Corporate Health and Safety team are attending sites.

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

Corporate minimum standards and managers tool kits 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:

- Risk Assessment,
- Well-being,
- Security and Safety of People,
- Buildings and Assets.

Work continues on:

- Construction Design and Management (CDM),
- Fire Risk Assessments, fire safety arrangements, fire wardens,
- Personal and corporate safety and security,
- Dangerous Substances and Explosive Atmosphere Regulations,
- First aid provision, first aiders (physical and mental health),
- Local emergency response.

Downloadable aids are being added to the intranet and other tools for reaching staff who may not be digitally connected are being developed with the Communications Team.

The Team continues to monitor the impacts of workstation arrangements (Display Screen Equipment Regulations 1992) with the increase of hybrid working. Inspections have highlighted areas with limited resources. Senior managers are reminded that staff must be issued with appropriate equipment. It is acknowledged that there are supply issues.

Managers are expressing the value in the Stress Management Standards and the stress risk assessment form, for assessing, addressing, and recording potential risks to their staff. They have also been used to signpost staff to support available within the Council.

The Team have worked collaboratively with other service areas to ensure the Councils obligations are being met, whilst ensuring the physical, psychological, and emotional health, safety and wellbeing of staff is maintained.

Utilisation of the on-line incident reporting system is increasing, and there is evidence of improved investigation which is very positive. 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.

The Corporate Health and Safety Team are supporting managers to confirm the requirements of a 'safe system of work' in criminal and civil law. Managers have expressed concerns on their inability to defend cases. This is often due to a lack of understanding of the term rather than poor systems.

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 Corporate 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 Corporate 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, providing advice, and conducting audits.

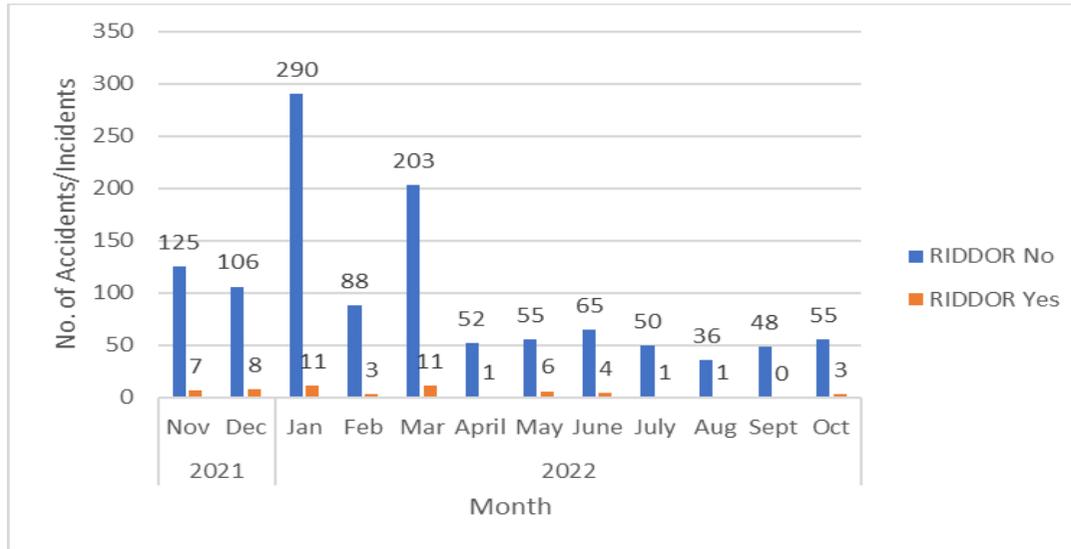
EVOLVE provide online services for schools, including a tool for planning and managing educational visits, after school clubs and sports fixtures. The Corporate Health and Safety Team continue to provide support and guidance to schools and their Educational Visit Co-ordinators (EVC). The EVOLVE system 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, with the latest successful course running during October 2022.

The Liverpool City Region H&S Managers Group continues to meet virtually, however other groups, including the Outdoor Education Adviser's Panel are increasing face to face meetings, which will affect the need for staff to travel outside the borough and will have cost implications.

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, agency workers, contractors, volunteers, and members of the public.

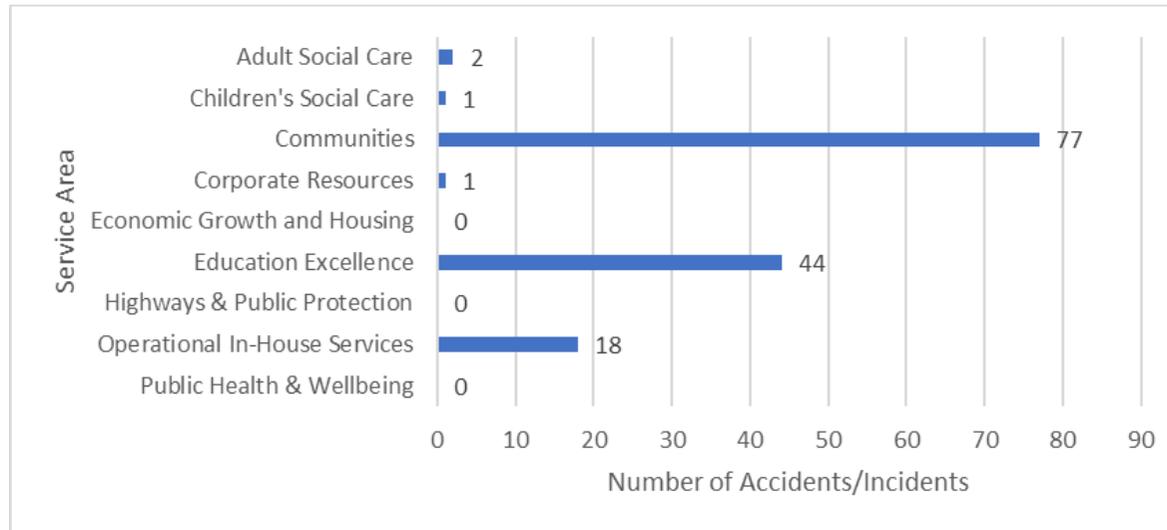
Graph 1 below provides reportable Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) and non-reportable accident and incident data for the Council from 1 November 2021 to 31 October 2022 over the past 12 months. Most of the incidents reported were COVID-19 related until the end of March 2022, when free testing and the requirement to report workplace transmission ceased.



Graph 1: Accident and incident data between 1 November 2021 to 31 October 2022

The variation in reporting throughout the year is consistent with the re-opening of schools and service areas. The increase of reports raised in January and then March 2022 highlights the vulnerabilities of staff from exposure to COVID-19 and confirmed the need for the cautious approach as we approached the Spring and increased physical interactions. Accident and incident rates have been at a consistent level from April 2022.

Graph 2 provides details on the accident and incident data compares accident and incident data between 1 August 2022 to 31 October 2022.



Graph 2: Accident and incident data across Council Service Areas between 1 August 2022 to 31 October 2022

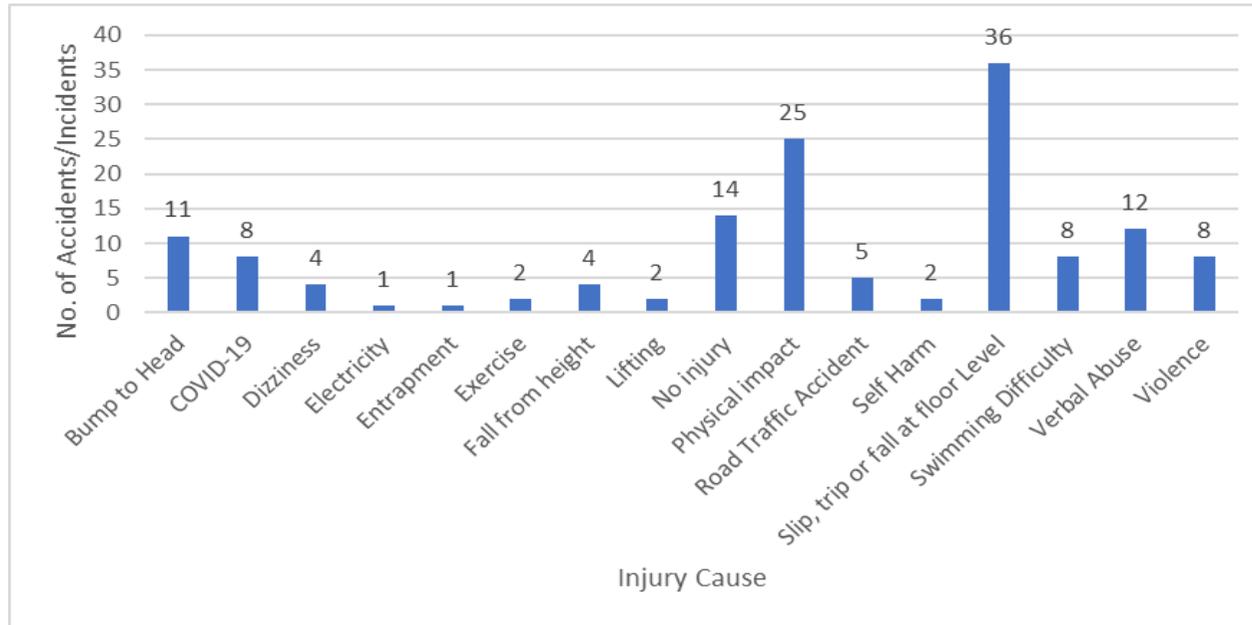
Education Excellence, Communities and Operational In-House Services report the most incidents, and this is consistent with previous years data. Data is influenced by the reporting of accident and incidents affecting the public, mostly, but not limited to contact sports. School children are included within the public data.

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,
 - o including property damage or fire,
 - o presence of legionella in water systems and
 - o incidents from storm damage.

A positive reporting culture provides greater accuracy in accidents, incidents and near misses' data and enables the Council to assess its risk profile, identify trends and opportunities to prevent reoccurrence.

Graph 3 shows the reported causes of accidents and incidents reported across Sefton Council from 1 August 2022 to 31 October 2022.



Graph 3: Accident and incident data by Cause between 1st August 2022 to 31 October 2022

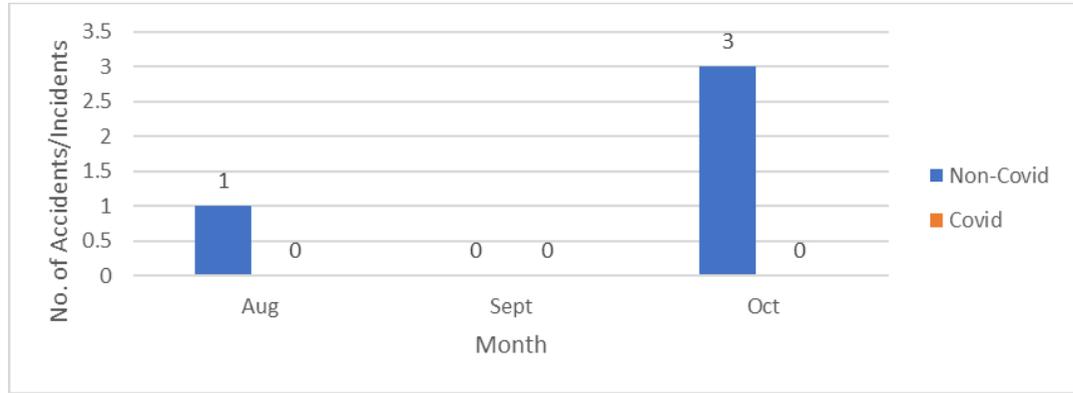
Injuries from slips, trips and contact sports and games have become the most common cause of cause or accident, incident, or ill health since early 2020.

It is difficult to present raw COVID case data and workplace transmission due to changes in testing and national reporting requirements. These internal reports have been raised by managers to assist with the risk assessment review process.

Through discussions with staff and at Health and Safety Committees, incidents of threatening and abusive behaviour and poor mental health, including stress are occurring, although not always reported through the incident reporting system.

The team are working with managers to ensure value and benefits of reporting and proportionate investigation are understood. Further work is being undertaken to assess and implement change across the Council to improve personal safety and cases of poor mental health and wellbeing.

Graph 4 shows the number of notifications made to enforcement authorities and insurers under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), between 1st August 2022 to 31 October 2022.



Graph 4: RIDDOR Reports raised between 1st August 2022 to 31 October 2022

There were no cases of reportable COVID-19 cases due to the changes in the Governments reporting requirements. Reportable cases were fractures sustained from slips, trips, and falls (on ground level) and work at height.

There is no longer a requirement to report COVID-19 workplace transmission (i.e., externally) to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) RIDDOR except where an employee has been infected with coronavirus through:

- Deliberately working with the virus, such as in a laboratory, or
- Being ‘incidentally exposed, to the virus.

Incidental exposure can occur when working in environments where people are known to have COVID-19, for example in a health or social care setting. Risk assessments are still required for these activities.

Front-line services may continue to be at risk of staff experiencing upper respiratory tract and other infections, due to their exposure to the public and potentially vulnerable people. For this reason, service areas are continuing to be asked to consider risks to staff within their risk assessments and emergency and business continuity plans.

4.3 Developments

There will be a continued focus during the next quarter of delivering the Health and Safety Improvement Plan with planned and reactive priorities.

The team will be working with the health and safety sub-committees to develop their own service area improvement plans, considering lessons learnt and areas of good practice.

The Corporate Health and Safety Team will:

- Continue to support managers and head teachers with the review and updating of risk assessments.
- Continue to review, update, and monitor the Health and Safety Standards and Policies, with focus on fire risk assessments, personal and corporate security, dangerous substances, and Explosive Atmosphere Regulations, first aid provision and local emergency response.
- 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 monitoring regime across the Council, to schools where the Council retains responsibility for the health and safety as the employer and those schools with a Service Level Agreement with the Councils Corporate Health and Safety Team. This will provide assurance that health and safety management systems are suitable and effective.
- Monitor outdoor education activities, offering advice and reviewing risk assessments for off-site visits and adventurous activities involving young people in schools. This is managed by the EVOLVE system which schools can purchase as part of the Service Level Agreement offering.
- The Team continues to support schools in the safe storage and where necessary, destruction of their radioactive sources.

5. Insurance: Performance Update

5.1 Work Completed

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

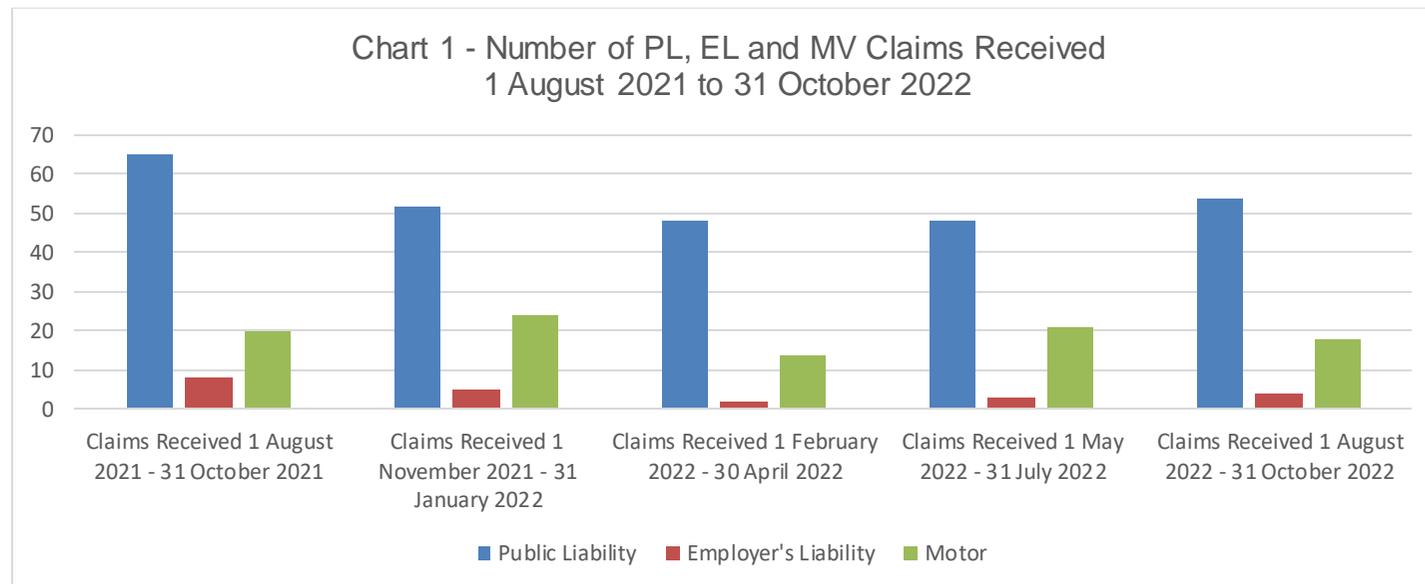
- As detailed in the previous update, the renewal of the Council Insurance Programme, with effect from 29 September 2022, represents the last year of a Long-Term Agreement with Insurers. Terms and rates for the outstanding policies were subsequently received from the Council's Brokers and, despite a challenging and hardening market, in the majority they remained in line with previous terms and rates, and as a result premiums remained broadly flat. As Contract Procedure Rules do not allow a further extension of the current contract, the Team is now liaising with Brokers and Procurement colleagues to develop the approach to carry out a tender in the first quarter of 2023/24 to ensure continuity of insurance cover in a timely fashion. A formal request to Cabinet to undertake the procurement will be provided in Q4 2022/23.
- To continue to ensure that the Council has assurance that it has the appropriate level of material damage cover in place for each Council building, the Team has recently commissioned a tender opportunity on The Chest with the assistance of Procurement colleagues. The tender will involve require valuers, using a hybrid methodology agreed with insurers, to assign the Council Properties to similar property types and carry out sample valuations which can be used to extrapolate the values to similar properties with the same building type. An update will be provided in due course.
- The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans to provide litigation support for appropriate claims. This has resulted in a claim with a reserve of £97.5k being discontinued by the third party and a further claim, as a result of the medical evidence provided by the claimant, being dismissed by the Judge at trial £33.5k reserve.
- The Team, where necessary, continues to work with service areas to improve the management of insurable risk especially in areas where there are high numbers of claims or areas of concern. The Council generally has high defensibility rates, and such risk management activity will assist in maintaining and potentially improving the position further. Work is continuing with colleagues from Tourism providing guidance and support with the management of Southport Pier, in particular relating to the decking and the outstanding Risk Improvement Action.
- The Team is also working with Green Sefton colleagues to ensure that there is a suitable response to the Tree Management report undertaken by Gallaghers Basset which we will share once the response has been finalized.

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 2021 to 31 October 2022.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 August 2021 to 31 October 2022.
- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 August 2021 to 31 October 2022.

Chart 1 below outlines the number of claims for PL, EL and MV received for the period 1 August 2021 to 31 October 2022.



5.2.1 PL claim numbers have increased by 13%, however remain lower than at the start of the overall period. Of the 54 claims received, the service areas with the majority of claims are:

- Highways with 63%, of which 74% represents personal injury and 26% property damage.

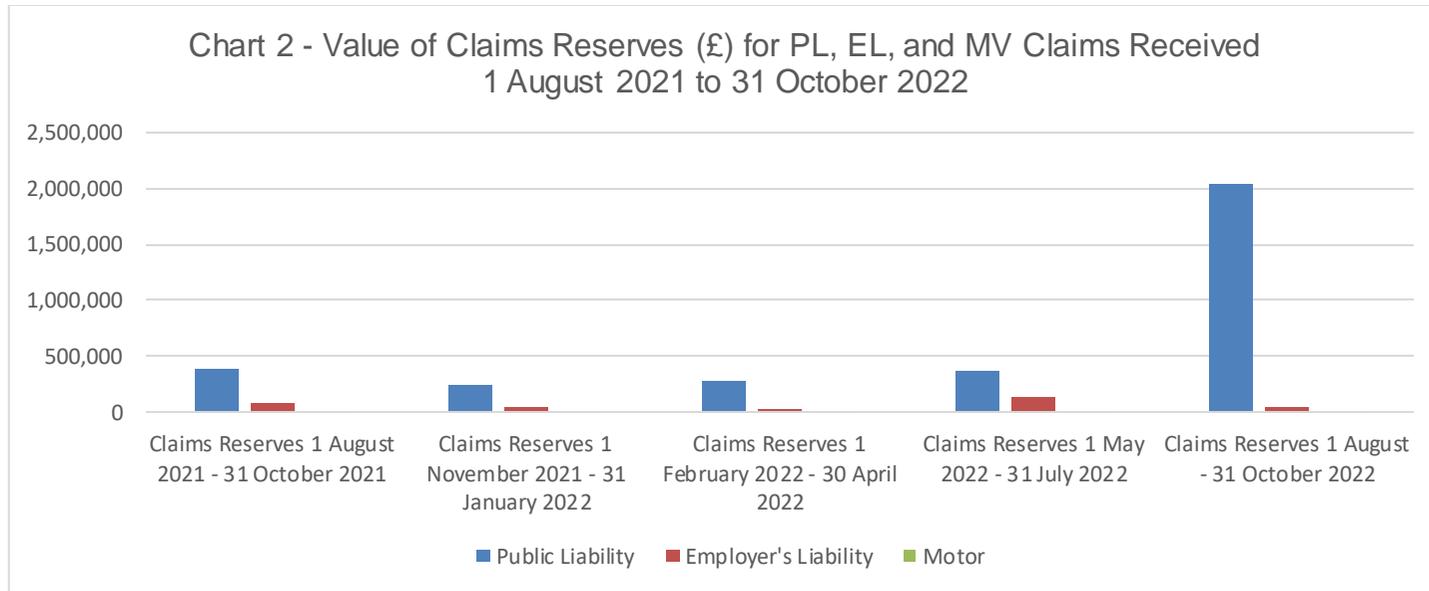
- Green Sefton (Tree & Woodland) with 7%, of which 100% relates to property damage.
- The remaining claims are spread evenly throughout the rest of the service areas.

5.2.2 Although the number of EL claims received remains low, there has been a 33% increase since the last quarter however this represents just one claim. The number of claims received is 50% lower than at the start of the overall period and remains below expectations for the size of the Council workforce.

5.2.3 The number of MV claims received has decreased by 14% and represents the second lowest number of the overall reporting period. Overall, 75% of the claims involve own damage to the Council Fleet and the remaining 25% of claims represent damage to third party vehicles with no claims for personal injury having been received. As would be expected, due to the size of the Fleet, the Waste and Cleansing service area represents the highest number of claims received at 72%, with the remaining 28% coming from Sefton Arc, Specialist Transport Unit and Community Equipment Stores.

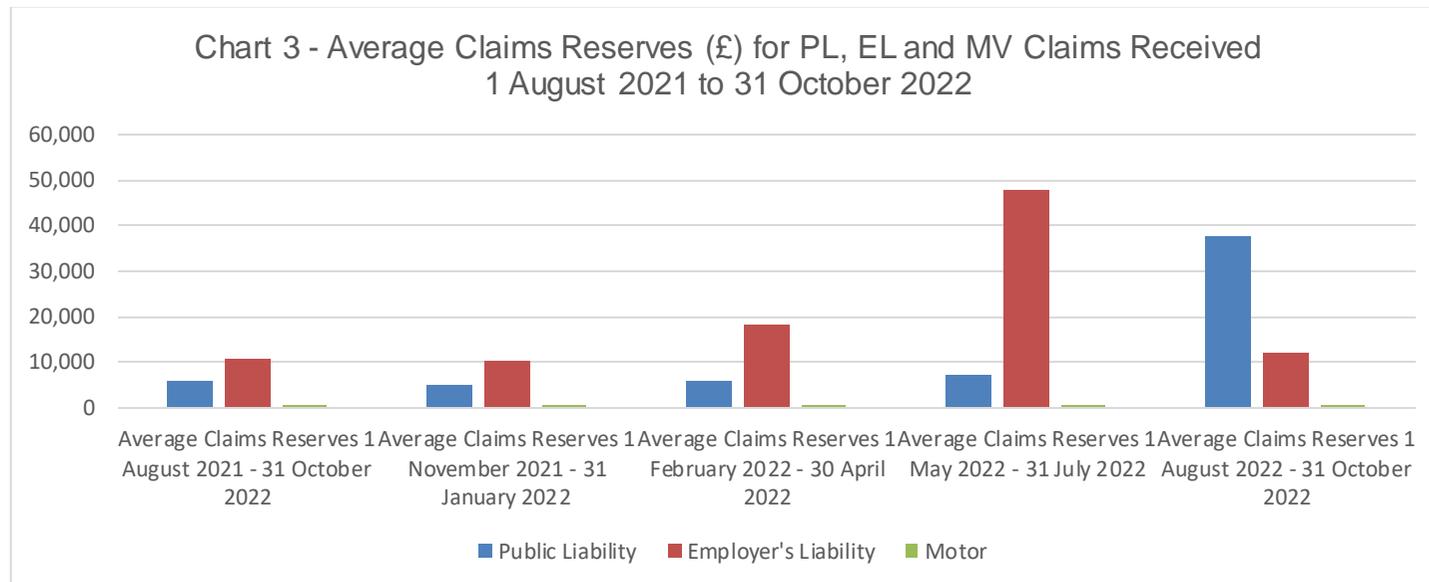
5.2.4 The current profile in all three areas presents no cause for concern however claim numbers will be monitored for any changes in trend.

Chart 2 below outlines the value of the reserves for PL, EL and MV claims received for the period 1 Aug 21 to 31 Oct 22.



- 5.2.5 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. Unfortunately, despite the slight increase in claims numbers, there has been a significant increase of 452% in claims reserves since the last quarter. Whilst reserves are on the whole on the majority of PL claims in line with those of the last quarter, a class action claim, representing 33 individuals, involving historical claims of abuse has been received with a reserve being allocated by Solicitors acting for the Council of £1.65m. The matter is in the early stages of investigation and the reserve may be amended in due course.
- 5.2.7 Despite a 33% increase in EL claim numbers since the last period, reserves have decreased by 67%, representing the second lowest of the overall reporting period. This is due to the nature of injuries claimed by employees. Half of the claims submitted (two) have been received from school employees
- 5.2.8 In line with the decrease in numbers of claims, MV reserves have decreased by 79%. Whilst some reserves are yet to be determined, this period is the lowest of the overall reporting period. As detailed above, all claims refer to vehicle damage and not personal injury.

Chart 3 below outlines the average value of the reserves for PL, EL and MV claims for the period 1 Aug 21 to 31 Oct 22.



5.2.9 Reflecting the class action claim detailed above, the average reserve for PL claims shows an increase of 411% since the last period and ends the overall reporting period at an increase of 534%. Despite more claims being received, the EL average claim reserve is 75% lower than the last quarter, however 13% higher than the first period. This is due to the nature and simplicity of injuries reported to Insurers. The average MV claims reserve has decreased by 74% in the last quarter and represents the lowest of the overall reporting period.

5.2.10 Trends in claims performance will continue to be monitored.

5.3 **Developments**

- The Team's major focus moving forward will be on preparing for the upcoming insurance tender for the Council's Insurance Programme to be in place for 29 September 2023. Early discussions are underway with both Brokers and Procurement colleagues to determine how best to approach the exercise and which framework will provide the Council with the best opportunities to reach a full potential of Insurers whilst gaining value for money. We are currently planning that the tender will go live in the second quarter of 2023 with results known in the third quarter. Progress will be provided in future updates.
- As part of the insurance tender process, there will be consultation with the Council's Maintained Schools in early 2023 to gather views on their participation in the tender. A similar exercise was completed in Q4 2020/2021, and Schools, although advised of the Government's Risk Protection Arrangement (RPA) scheme which was introduced in April 2020 as an alternative, agreed to remain with the Council for insurance cover, unless they converted to academy status mid-year. The Council's insurers indicated when the RPA was introduced that there would be no liability premium benefit to the Council if the Council's Schools moved to the RPA. We are seeking to promote the Council's insurance services with the aim of retaining as many of the schools for the next LTA and the outcome of the consultation will be provided to Members in a future update.
- Following receipt of submissions for the Building Valuation Tender exercise, the Team will undertake evaluations of the bids towards the end of December 2022. The contract will then be awarded to run until 30 April 2023, with the results being conveyed in the June 2023 update to Committee. The revised sum insureds are intended to be provided to the participants in the Insurance Tender and be included in the renewal for the 29 September 2022.
- As the Council continues to change and commercialism develops, discussions will continue with the Insurance Broker to ensure that all new risks/liabilities to the Council are identified, and, if required, relevant insurance cover is sourced and procured to provide appropriate protection.

- In consultation with Health and Safety colleagues, the Team will 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. Plans are in place for the Motor Insurers, Protector, to assist with a Fleet Risk Management Review.
- The Team is awaiting further contact from the Public Liability insurers before considering taking advantage of a Mini Health Check which will provide an insight of performance across areas of Highways, Children's Service and Employer's Liability and benchmark where the Council is currently positioned in managing these key risks. There is some uncertainty whether this is considered to be mandatory or voluntary and whether it is a paid for service.
- To build on the already strong relationships forged, and to ensure the smooth running of all relevant contracts to provide value for money, regular meetings will continue with external suppliers to the Team – Brokers, Insurers, Claims Handlers, and Solicitors. Attendance at webinars will also be accepted where content is relevant and of interest to the Team and the organisation as whole.

6. Risk and Resilience: Performance Update

6.1 Work Completed

The Risk and Resilience Team (Team) continue to ensure progressive development across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan has been produced.

The Emergency Planning function of the Team is delivered at both organisational and multi-agency levels and the Team remain fully engaged with the planning, preparedness, response, and recovery activities of both the Council and partner agencies of the Merseyside Resilience Forum (MRF). The MRF has resumed pre-pandemic working groups to deliver on the business plan for the coming year and the team maintain strong working relationships and participation in various risk specific task and finish subgroups to plan and deliver multi-agency programmes of work.

The Team regularly promotes and share invitations to MRF training opportunities to relevant Council colleagues and Emergency Duty Co-ordinators (EDCs) to enhance their knowledge and experience. During October 22, one Emergency Duty Co-ordinator attended the full four-day Multi Agency Gold Incident Command (MAGIC) training and another previously MAGIC trained officer will attend a MAGIC Refresher course in November 22. For those colleagues who attend the training, complete the full course, and then attend refresher days every three to four years the training is considered to accredited. Four EDC officers are also booked onto a two-day Tactical Emergency Management training session in early December 2022.

Since late 2018, the Risk and Resilience team has been involved in the co-ordination of arrangements to deliver Operation London Bridge both at an organisational and multi-agency level across Merseyside. Operation London Bridge is the name given to the operation order for the sequence of events that would take place following the formal announcement of the death of the monarch.

Planning for this event has been subject to regular review and has been adapted to meet Covid-19 requirements and then re-designed to be flexible to change depending on prevailing circumstances at any given time.

On 8 September 2022, following news reports of the Queens deterioration in health, the Team joined an Executive Leadership Team (ELT) meeting at the request of the Chief Executive to brief them for situational awareness and to put

them and all nominated planning leads from the key service areas on standby, to activate the London Bridge plan as per the protocol agreed with the Office of the Lord Lieutenantcy.

- Upon the subsequent announcement of the death of HRH Queen Elizabeth II, the Sefton Council plan to mark the official ten-day period of mourning was initiated with the appropriate civil and ceremonial response in line with the Council's plans. These actions included:
- The pre-determined respectful changes to the home page of the council website to show a message of condolence from the Mayor with re-direction of links to background pages,
- Lowering of flags on council buildings, designation of Floral Tribute
- Operation of two Books of Condolence sites and
- Publishing of arrangements for the Mayoral proclamation ceremony for the accession of the new King.

The Team also represented the Council with the Civic and Mayoral Officer at the Merseyside Resilience Forum (MRF) multi-agency Initial Assessment Meeting, organised to gain situational awareness across the Merseyside region for assurance that all the boroughs were activating plans in a consistent manner and to assess any issues of community risk.

Multi-agency Strategic and Tactical Co-ordination Groups were set up to meet twice weekly throughout the 10+ days mourning period and the team supported Executive Directors to attend the meetings and report into central government via on-line situational reports (sitreps).

At the end of the mourning period, the Team co-ordinated a virtual internal debrief for the council and then took relevant feedback to contribute and participate in a multi-agency debrief. Overall, the plans for Merseyside and the boroughs were executed well and Sefton Council has since received many letters and emails of thanks to the officers involved in the planning of this event.

There has been an increase in response activity for incidences of Avian Flu throughout the UK since the beginning of Autumn and season for migration of birds. The team have alerted the Animal Health team in the council's Environmental Health service to all notifications received from DEFRA and APHA and current national information and guidance has been signposted by Corporate Communications on our relevant website pages. The Risk and Resilience team is also linked into the MRF Animal Health working group monitoring this situation.

Current work projects for the Risk and Resilience Team are developing a Severe Weather Protocol around the council response capability and process following the receipt of National Severe Weather Warning Service alerts from the Met Office. This is to assist those officers new to EDC role to understand and navigate potential support from various council services.

The team have just compiled and circulated the new Emergency Duty rota for the next annual cycle and the Christmas and New Year Shutdown periods of duty are all covered.

It is also the time of year for the review of community risk assessments for the MRF Community Risk Register and the team have been involved in the development of some of the specific risks for review by the Local Authorities.

A review of each Service area's Business Continuity plan continues to be facilitated by the Team in consultation with the plan owners.

The Department of Business Energy and Industrial Strategy and Ofgem have highlighted a possible risk this winter of planned disconnections of electricity supply due to shortages of gas supply to power stations in specific circumstances. This is dependent on a number of variable factors but predicted for the coldest winter temperature days at peak demand times (4pm – 9pm) if demand far outstrips supply. We are currently co-ordinating the Council's response including working with Service areas on developing a specific Service Business Continuity Plan for the event. Each service area has been asked to consider the impacts of such a scenario on their business priority activities and develop plans to try and mitigate the risk to delivery of service. The Team will support the Assistant Directors to produce plans in advance of expected coldest winter periods Jan / Feb 2023.

The team are engaged with the MRF and SP Energy networks and have been provided with some watermarked documents of planning assumptions which we can use to inform this work.

In early September 2022 the Team conducted a six monthly "No Notice, Out of Hours" call out exercise to test contact details contained within Service Business Continuity plans. The results of this exercise will inform and improve content of the plans and will be reported back to the BC plan owner.

An external facilitator has been appointed to deliver a Business Continuity exercise for Assistant Directors and the Executive Leadership team. This will be delivered in January 2023 in Bootle Town Hall and the facilitator will produce a report with recommendations after the event.

The Team continues to meet with Internal Audit colleagues to consider improvements and developments to the Risk Management system within the Council.

The focus on risk management this quarter has been on working with specific service areas to improve the content of their Operational Risk Registers and ensuring appropriate escalation of risk to the Service Risk Register. This review is on-going, and each service area will have an in-depth study on a rotational basis.

Work has been on-going to produce a Risk Management Awareness e-learning package. The content of this is currently being reviewed by our Corporate Learning Centre and developed into the appropriate format to share with all officers and members. The package will be available on the Me-Learning platform by Christmas 2022.

The Corporate Risk Register has been reviewed and is due to be presented to the December Audit and Governance Committee. 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.

The Council's risk appetite framework has been drafted by an external facilitator is currently with management to consider. The plan is for the draft risk appetite statement to be provided to Cabinet for approval and the Corporate Risk Management Handbook to be amended to reflect the changes. An interim review of the Corporate Risk Handbook has taken place and was ratified at the last September 2022 Audit and Governance Committee. A further review will take place following the completion of the risk appetite work.

6.2 Developments

- Major incident plans and processes will continue to be reviewed and updated as necessary or following learning from any incidents.
- Working with Public Health to provide assurance of arrangements in place via the Health Protection Forum on health risks associated with severe or extreme weather.
- Ongoing review of the business continuity plans with particular focus on loss of power.
- Business Continuity table-top exercise planned for January 2023
- Further development of Risk Registers from all teams / services, including a qualitative exercise to ensure escalation of risks from Service Risk Registers to the Corporate Risk Register where appropriate.

7. Assurance and Counter Fraud: Performance Update

7.1 Work Completed

As highlighted in previous reports the limited resources for the Team are on secondment with the Revenues and Benefits Team until March 2023 and the one remaining staff member has been focused on providing support to the Health and Safety Team and the Risk and Resilience Team to assist in co-ordinating business continuity response in particular to the potential power outages. The support is required in particular to the Health and Safety Team due to the staffing issues following the School Advisor leaving in August 2022 and the difficulties in obtaining suitably qualified and experienced staff. Ensuring that there is sufficient capacity within Health and Safety Team to address business as usual, with the tight competent resources that are currently available is a key issue and takes priority over counter fraud work.

As a result, there has been limited counter fraud activity this quarter.

7.2 Developments

The Assurance Manager who had been responsible for the Council's counter fraud co-ordination and reporting retired from the Council on the 31 March 2022. There are plans to use this opportunity to restructure the Risk and Audit Team to provide a dedicated qualified counter fraud professional as well as address some other anomalies in the structure. The proposed re-structure has been difficult to undertake due to both the uncertainty from the official recruitment freeze as well as the Council's funding position and the unplanned absences in the Audit Team. As a result, there will be limited progress on Counter Fraud until the resourcing issues are addressed both in this function and the Audit Team.

8. Looking Ahead

8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:

- The 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 2022/23, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Undertake limited testing of existing business continuity plans in January 2023 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.
- Delivering on the service improvement plans for the Risk and Audit Team.

9. Conclusions

- 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 and unplanned absences. 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. Progress on the 2022/23 audit plan has been promising. A revised audit plan is essential to match planned work to current resources.
- 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 7

| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Risk and Audit Service Performance | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 1 September 2022 to 30 November 2022.

There report discusses the resources issues particularly facing the Audit Team over the past seven months, the responses to the pressures and the revised action plan for the rest of the financial year.

Recommendation(s):

Members are requested to:

- (1) Note the progress in the delivery of the 2022/23 Internal Audit Plan and the activity undertaken for the period 1 September 2022 to 30 November 2022.
- (2) Approve the revised internal audit plan for the remainder of 2022/23 and note the resourcing issues that have arisen since April 2022.
- (3) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks

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)

None

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What will it cost and how will it be financed?

(A) Revenue Costs - There are no direct financial implications, outside of the approved budget for the function, 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 capital costs arising from this report.

Implications of the Proposals:

| | |
|--|---|
| Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications from the report. | |
| Legal Implications: There are no specific legal implications from the report. | |
| Equality Implications: There are no equality implications. | |
| Climate Emergency Implications: 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 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. | |
| 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 back to the office at an agreed frequency. Some of the function's teams such as health and safety are already visiting sites where required. It is envisaged that agile working will be introduced by the Council during the next three months with the Team returning to Magdalen House. | |
| 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. One of the audits within the 2022/23 approved audit plan is Climate Change which will provide assurance on the Council's response. | |

Contribution to the Council's Core Purpose:

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.

Facilitate confident and resilient communities: - 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.

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.

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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 (FD7032/22) and the Chief Legal and Democratic Officer (LD5232/22) 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.

| | |
|-------------------------|--------------------------|
| Contact Officer: | David Eden |
| Telephone Number: | 0151 943 4053 |
| Email Address: | david.eden@sefton.gov.uk |

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 2022/23 (as approved by this Committee on 16 March 2022).

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

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- Risk and Resilience
- Assurance

1.5 This report summarises the main aspects of the performance of the Service during the period 1 September 2022 to 30 November 2022., 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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| | | | |
|--------------------------------------|---|----------------------------------|---|
| Report to: | Audit and Governance Committee Council | Date of Meeting: | 14 December 2022 19 January 2023 |
| Subject: | Financial Procedure Rules | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Cabinet Member - Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

This report seeks approval for revisions to the Financial Procedure Rules.

Recommendation(s):

1. That the Audit and Governance Committee:
 - (1) Consider and approve the revision to the Financial Procedure Rules set out in Appendix 1 to this report.
 - (2) Refer the duly amended Financial Procedure Rules to Council for approval.
2. That Council approve the amended Financial Procedure Rules as set out in Appendix 1 to this report

Reasons for the Recommendation(s):

To enable the Council to adopt the recommended revisions to Financial Procedure Rules.

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

As part of the annual review of the Council's Constitution, the Council's Financial Procedure Rules (FPR) have been the subject of review. This has resulted in a number of proposed revisions, which are now presented for consideration by Audit & Governance Committee and referral to Council for their consideration and approval.

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No alternative options have been considered.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no additional revenue costs arising directly from this report.

(B) Capital Costs

There are no additional capital costs arising directly from this report.

Implications of the Proposals:

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

There are no additional resource implications associated with this report. Existing staffing resources will be involved in financial management and will be required to comply with the FPRs.

Legal Implications:

Production of this report has been considered in line with Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and the Local Government Act 2003 together with other relevant legislation as detailed within the Financial Procedure Rules.

Equality Implications:

There are no equality implications.

Climate Change 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 |

Contribution to the Council's Core Purpose:

Effective management of the Council's financial affairs supports each theme of the Council's Core Purpose.

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

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The review of the Financial Procedure Rules has been led by the Finance Service and has involved consultation with officers from financial management, internal audit and senior officers within the Council. The final document as included within this report has also been the subject of review and initial approval by the Council's Monitoring Officer, prior to presentation to Members.

The Executive Director of Corporate Resources and Customer Services (FD7033/22) and the Chief Legal and Democratic Officer (LD 5233/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not Applicable

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

| | |
|-------------------------|----------------|
| Contact Officer: | Andrew Bridson |
|-------------------------|----------------|

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| | |
|-------------------|------------------------------|
| Telephone Number: | 0781 354 3320 |
| Email Address: | andrew.bridson@sefton.gov.uk |

Appendices:

The following appendices are attached to this report:

Appendix 1 – Revised Financial Procedure Rules

Background Papers:

There are no background papers available for inspection.

1. Financial Procedure Rules

- 1.1 As part of the annual review of the Council's Constitution, the Council's Financial Procedure Rules have been the subject of review.
- 1.2 This review has included officers from the Finance Service, Internal Audit and Senior Officers within the Council. The final document as included within this report has also been the subject of review and initial approval by the Council's Monitoring Officer, prior to presentation to members.
- 1.3 As would be expected, large elements of the previous version of the Financial Procedure Rules remain as previously approved, however certain changes are proposed and are discussed below. These changes align with the Council's structure, Framework for Change programme and the aims of the Financial Procedure Rules such that:
 - They provide the framework for managing the financial affairs of the Council;
 - They define the roles and responsibilities of members and officers;
 - They facilitate the effective operation of Council activity; and
 - They provide a framework for the delivery of an effective internal control environment.
- 1.4 Having reviewed the Financial Procedure Rules there are a number of areas that are reflected in the updated schedule and the changes have been summarised within the following paragraphs.
- 1.5 Other minor changes have been made to the format and content of the Financial Procedure Rules to enhance user accessibility including additional section definitions and amendments to paragraph references.

Changes as a Result of Organisational Redesign

- 1.6 The Financial Procedure Rules have been updated to take account of changes to roles and responsibilities and job titles within the Council including officers within the Senior Leadership Board.

Section 106 (paragraphs B.50 to B.53)

- 1.7 The FPRs include a delegation to the Assistant Director of People (Communities) with respect to Section 106 balances.
- 1.8 A minor amendment has been made to this section to clarify that this relates to the Communities (Neighbourhoods) elements of Section 106 funding. The non Communities elements will be spent in line with the associated Section 106 agreements and in line with the wider requirements of the FPRs.

Determination, Monitoring and Control of Affordable Borrowing (C.19 to C.21)

- 1.9 Under the Local Government Act 2003 the Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management supports prudence, affordability and sustainability.
- 1.10 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and subsequent financial years as required by the Code.
- 1.11 Following an update to the Code, the following indicators have been included within the FPRs:
- Estimated Liability benchmark – to support an appropriate level of external borrowing.
 - Estimate of net income from commercial and service investments to net revenue stream – this comprises net income from financial investments (other than treasury management investments), together with net income from other assets held primarily for financial return, such as commercial property. This indicator will highlight how reliant the Council is on this income.
- 1.12 Additionally, the revised Code explicitly states that authorities must not borrow to invest primarily for a financial return. This has been reflected in the update to the FPRs.

Commercial Activity (paragraphs C.35 to C.41)

- 1.13 The Council holds a selection of assets that support the Council's Core Purpose and operate on a more commercial basis than other elements of the Council's General Fund. The financial arrangements for these assets are set out within the FPRs.

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- 1.14 This section has been updated to: clarify that any associated revenue and capital budgetary approval for these assets will align with the wider requirements of the FPRs – including any in year requests for additional financial resources; clarify the arrangements for the monitoring and reporting of operational and financial performance; and to clarify the frequency of review and refresh of the associated annual business plans.

Inventories (paragraph D.45)

- 1.15 Executive Directors and Assistant Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items.
- 1.16 The global pandemic has had a significant impact on the working arrangements at the Council including greater use of agile working and working from home. To support these arrangements, there has been an increase in the number of ICT equipment – including laptops – issued to staff and used off site.
- 1.17 The relevant section of the FPRs has been updated to highlight that Executive Directors and Assistant Directors must ensure they, and staff within their service areas, adhere to the requirements of the ICT Acceptable Use Policy, the Starters, Movers and Leavers Policy and the supporting policies and guidance.
- 1.18 The ICT Acceptable Use Policy describes acceptable usage, supports the security of Sefton's ICT network, information compliance and helps to prevent against cyber-attacks and cybercrime. The supporting Starters, Movers & Leavers Policy includes the details of what needs to be done with ICT inventory for new starters, those moving within the Council to another post and those leaving the authority.
- 1.19 Both must be followed by Executive Directors and Assistant Directors when making arrangements for the effective management of inventories including ICT equipment.

Charging for Income (paragraph E.11)

- 1.20 The FPRs delegate approval of fees and charges to the respective Cabinet Member. This provides flexibility for service areas to ensure that fees are set at the most appropriate level and are reviewed and adjusted in a timely manner in advance of each financial year.
- 1.21 The FPRs have been updated to recognise that there may be circumstances where fees and charges require in year amendments – for example, during periods of economic uncertainty, where there are volatile rates of inflation and sector specific pressures. These in year changes will be approved by the relevant Cabinet Member.

Bad Debts (paragraph E.21 to E.25)

- 1.22 The Section 151 Officer is responsible for producing and issuing guidance on bad debt. Executive Directors and Assistant Directors are responsible for ensuring

their teams comply with this guidance which includes the Corporate Debt Policy and Procedures.

- 1.23 This section of the FPRs has been updated to highlight that all debts due to the Council will be subject to full recovery, collection and legal procedures as detailed in the Corporate Debt Policy and Procedures. This section has also been updated to clarify that:
- bad debts of up to £10,000 may be written off by Authorised Officers as contained in the Scheme of Financial Delegation in consultation with the Section 151 Officer and the Monitoring Officer.
 - bad debts of £10,000 and over should be reported jointly by the Section 151 Officer and the relevant Assistant Director to the Audit and Governance Committee for write-off action.
- 1.24 This section has also been updated to require that any write off which arises as a result of theft or fraud must be notified to the Chief Internal Auditor immediately. This is in line with the requirement of the FPRs for theft or fraud regarding other non-cash assets.

Partnerships (paragraph F.3 to F.5)

- 1.25 Partnerships play a key role in delivering community strategies and contributing to the well-being of the area. They also provide new ways to share risks, access new resources and new and better ways of delivering services. Partnership working has become more and more important against the backdrop of reducing public sector resources and increased demand for services.
- 1.26 This section of the FPRs has been simplified to include the high level responsibilities of Executive Directors and Assistant Directors which include:
- a. Adhering to the guidance issued by the Section 151 Officer before embarking on any partnership agreement, ensuring a risk management appraisal is undertaken and obtaining the appropriate approvals
 - b. Ensuring partnerships do not impact adversely on Council services
 - c. Providing appropriate information for the statement of accounts
 - d. Maintaining all contract documents and any associated requirements of the Contract Procedure Rules
 - e. Ensuring partners are aware of their obligations with regards to confidentiality, conflicts of interest, communication and financial and contractual responsibilities
 - f. Ensuring that financial resources are used efficiently and effectively and that accounting arrangements are satisfactory and maintain the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council
- 1.27 Separate guidance will be issued by the Section 151 Officer to support Executive Directors and Assistant Directors to meet these responsibilities. This will include a checklist of all necessary requirements before entering into a partnership, during it and following its cessation.

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Bidding for Grant Funding (paragraphs F.6)

- 1.28 The ongoing impact of budget reductions and higher demands for Council services has placed increased emphasis on identifying alternative sources of funding for existing and new Council activities. This includes bidding for grant funding where this aligns with Council priorities. Often, bids must be submitted at relatively short notice and so it is important that the approval process is clear and allows for quick submission.
- 1.29 Therefore, this section of the FPRs has been updated as follows to streamline and clarify the approval process whilst maintaining appropriate Officer and Member oversight:
 - a. All grant submissions should be approved by the Section 151 Officer and the relevant Assistant Director / Executive Director in advance
 - b. The relevant Cabinet Member / Cabinet Member for Regulatory, Compliance and Corporate Services should be consulted and provide approval to proceed
 - c. If a bid is successful, expenditure can only commence when formal approval for the Supplementary Revenue / Capital Estimate has been received.

Sefton Council 

Sefton Metropolitan Borough Council

Constitution

DECEMBER 2022

CHAPTER 10 – FINANCIAL PROCEDURE RULES

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SECTION A - INTRODUCTION TO THE FINANCIAL PROCEDURE RULES

- A.1 The Financial and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf, including School Governors operating under local delegation arrangements. All decision makers need to ensure that they are not only empowered under the Constitution to make every decision that they propose to make, but that they are also authorised under these Rules to incur the financial consequences of every decision that they make.
- A.2 The Rules identify the financial responsibilities of the full Council, Cabinet, Overview and Scrutiny Members, statutory officers and the Executive Directors and Assistant Directors. A written record shall be kept of all decisions taken under these Rules which are taken using delegated powers.
- A.3 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is warranted, properly authorised, provides value for money and achieves best value and is in the interest of the Council's citizens.
- A.4 The Section 151 Officer is responsible for maintaining a regular review of the Financial Procedure Rules and submitting any additions or changes necessary to the full Council for approval. The Assistant Director Corporate Resources and Customer Services (Strategic Support) is responsible for maintaining a regular review of the Contract Procedure Rules and submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial and Contract Procedure Rules to Audit and Governance Committee.
- A.5 Executive Directors and Assistant Directors are responsible for ensuring that all staff in their Services are aware of the existence and content of the Council's Financial and Contract Procedure Rules and other internal regulatory documents and that they comply with them, as required by the Council's Code of Conduct for Employees and this Constitution. Failure to comply with the Code of Conduct will be dealt with in accordance with the Council's Disciplinary Policy and Procedure. These documents will be located on the Sefton intranet for reference. Where staff do not have access to the intranet, Executive Directors and Assistant Directors must ensure that an adequate number of copies of the relevant policies are available for reference within their Services.
- A.6 The Section 151 Officer, is responsible for issuing advice and guidance to underpin the Financial and Contract Procedure Rules that Members,

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officers and others acting on behalf of the Council are required to follow.

- A.7 The Rules are not intended to cover every eventuality, but the spirit of the Rules must always be followed. Where there is any uncertainty in matters of interpretation, advice should be sought from the Section 151 Officer before decisions or actions are taken.

SECTION B - FINANCIAL MANAGEMENT

WHY THIS IS IMPORTANT

B.1 Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget. Members and Officers have a responsibility to abide by the highest standards of probity in dealing with financial issues, understanding their respective roles and responsibilities and other key financial accountabilities regarding financial management.

WHAT IS COVERED IN THIS SECTION

B.2 The roles and responsibilities of:

- The full Council
- The Cabinet
- The committees delegated by Cabinet
- Statutory officers; and
- Executive Directors and Assistant Directors

B.3 Other financial accountabilities:

- Virement
- Supplementary estimates
- Section 106
- Treatment of year end balances
- Accounting policies
- Accounting records and returns
- The Annual Statement of Accounts

THE FULL COUNCIL

B.4 The responsibilities of the full Council are set out in Chapter 4 of the Constitution. In respect of financial matters, this includes approving the Budget within which the Cabinet operates.

B.5 The Budget comprises the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base and Council Tax rate, and decisions relating to the control of the Council's borrowing requirement, and the allocation and control of capital expenditure.

THE CABINET

- B.6 The Cabinet's responsibilities, in respect of financial matters include:
- a. developing and reviewing the Council's plans and policies
 - b. advising on budget setting
 - c. ensuring proper arrangements exist for the effective and efficient management of the Council's executive affairs
 - d. monitoring and auditing the lawful, proper and efficient conduct of the Council's financial affairs, including the extent to which budgets and financial policies are being met and any appropriate remedial action; and
 - e. ensuring officers exercising delegated powers on behalf of the Cabinet discharge their responsibilities efficiently and effectively.

CABINET MEMBERS

- B.7 Individual Cabinet Members have specific decision-making powers which are set out in Chapter 5 of the Council's Constitution. Cabinet Members responsibilities in respect of financial matters include:
- a. the proper administration of the Council's services
 - b. ensuring adequate staffing, premises and other resources are in place to secure agreed standard and target outcomes within the scope of their portfolio
 - c. ensuring budget control and financial monitoring within the scope of their portfolio
 - d. making recommendations to the Cabinet in respect of strategic policy concerning matters within their portfolio.
- B.8 Cabinet Members must consult with relevant officers before exercising their delegated decision-making powers. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision and that they have authority to incur the financial consequences of that decision.

COMMITTEES

OVERVIEW AND SCRUTINY COMMITTEES

- B.9 Overview and Scrutiny Committees are responsible for discharging the Council's functions under Section 9F to 9FU of the Local Government Act 2000, including:
- a. scrutinising Cabinet decisions before or after they have been implemented; and
 - b. establishing task and finish reviews as they see fit.

AUDIT AND GOVERNANCE COMMITTEE

- B.10 The Audit and Governance Committee has right of access to all of the information necessary to effectively discharge its responsibilities and can consult directly with internal and external auditors.
- B.11 The committee responsibilities are detailed in Chapter 7 of the Constitution.

STATUTORY OFFICERS

CHIEF OFFICERS

- B.12 Chief Officers are the Chief Executive, Executive Directors or any Assistant Directors to whom there has been specific delegation in writing by the Council or the Chief Executive.
- B.13 In accordance with the management structure of the Council, Chief Officers will be referred to as follows:
 - a. Chief Executive (Head of Paid Service)
 - b. Executive Directors
 - c. Assistant Directors
- B.14 The Chief Executive is the Head of the Council's Paid Service. The responsibilities of the Chief Executive include:
 - a. leading and directing the strategic management of the Council
 - b. ensuring the effective pursuit and achievement of the Council's objectives
 - c. ensuring the Council's activities are carried out with maximum effectiveness and efficiency.
- B.15 The Chief Executive must report to and provide information for full Council, the Cabinet, the Overview and Scrutiny Committees and other committees.

MONITORING OFFICER

- B.16 The Council's Monitoring Officer pursuant to Section 5 and 5A of the Local Government and Housing Act 1989 (as amended) is responsible for exercising the functions of that role. This includes reporting, in consultation with the Chief Executive and Section 151 Officer to the full Council (or to the Executive in relation to an Executive function), if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to a finding of maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been

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considered by Cabinet.

- B.17 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. They must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by officers who have delegated responsibility.
- B.18 The Monitoring Officer is responsible for advising all Members and officers about who has authority to take a particular decision.
- B.19 The Monitoring Officer is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the Policy Framework.
- B.20 The Monitoring Officer (together with the Section 151 Officer) is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
 - a. initiating a new policy which may have financial implications that cannot be contained within existing budgets
 - b. committing expenditure in future years that exceeds Medium Term Financial Plan assumptions
 - c. agreeing budget transfers that exceed approved virement limits
 - d. causing the total expenditure financed from Council tax, grants and corporately held reserves to increase, or to increase by more than a significant amount ("Significant" to be defined by the Section 151 Officer or their representative).
- B.21 The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

RESPONSIBLE FINANCIAL OFFICER (SECTION 151 OFFICER)

- B.22 The Section 151 Officer is the financial adviser to the Council, the Cabinet and officers and is the Council's 'responsible financial officer' under the Accounts and Audit Regulations. They are responsible for the proper administration of the Council's affairs as specified in, and undertaking the duties required by, Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Government and Housing Act 1989, the Local Government Act 2003 and all other relevant legislation.
- B.23 The Section 151 Officer is responsible generally, for discharging, on behalf of the Council, the responsibilities set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government, including:

- a. in conjunction with the Executive Directors and Assistant Directors, the proper administration of the Council's financial affairs
 - b. setting and monitoring compliance with financial management standards
 - c. advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - d. providing financial information
 - e. preparing the revenue budget and capital programme
 - f. treasury management.
- B.24 Section 114 of the Local Government Finance Act 1988 includes a requirement for the Section 151 Officer to report to the full Council, Cabinet and external auditor if the Council or one of its officers:
- a. has made, or is about to make, a decision which involves incurring unlawful expenditure
 - b. has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council
 - c. is about to make an unlawful entry in the Council's accounts
- B.25 Section 114 of the 1988 Act also requires:
- a. the Section 151 Officer to nominate a properly qualified Member of staff to deputise should they be unable to perform the duties under section 114 personally. The designated deputy for this purpose is the Service Manager (Finance).
 - b. the Authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114 of the Local Government Finance Act 1988.

MONEY LAUNDERING REPORTING OFFICER

- B.26 The Section 151 Officer is appointed as the Council's Money Laundering Reporting Officer and will maintain and advise on Anti-Money Laundering procedures.
- B.27 They will be responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post. Simultaneously, the Cabinet Member for Regulatory Compliance and Corporate Services will be kept informed of any notifications to NCA and of any issues arising from them.

EXECUTIVE LEADERSHIP TEAM AND STRATEGIC LEADERSHIP BOARD

- B.28 The officer management arrangements for the Council are overseen by an Executive Leadership Team comprising the Chief Executive and Executive Directors including the Section 151 Officer. Each member of the Executive Leadership Team is accountable to the Chief Executive for ensuring that Council Services are managed in accordance with the objectives, plans, policies, programmes, budgets and processes of the Council.
- B.29 The Strategic Leadership Board includes the Executive Leadership Team and all of the Executive Directors and Assistant Directors. The Strategic Leadership Board is responsible for ensuring that the Council's Services are managed in accordance with the Council's strategic objectives and within the agreed policy and budget framework.

EXECUTIVE DIRECTORS AND ASSISTANT DIRECTORS

- B.30 Powers are delegated to Executive Directors and Assistant Directors, who will establish, operate and keep under review Schemes of Financial Delegation, to cascade powers and responsibilities to Service Managers and other subordinate officers. Every such sub-delegation will be recorded in writing within a Scheme of Financial Delegation. The sub-delegation of functions shall not in any way diminish the overall responsibility and accountability of the delegator. Executive Directors, Assistant Directors and their managers should provide leadership, act with integrity, be open and transparent as possible, regarding financial performance and risks.
- B.31 Executive Directors and Assistant Directors are responsible for and accountable for the financial management arrangements within their service area. They shall manage the development of budget policy options with a detailed assessment of financial implications within the budget process and resource framework agreed by the Council.
- B.32 Executive Directors and Assistant Directors will establish, operate and annually review Schemes of Financial Delegation, in consultation with the Section 151 Officer, to ensure that:
- a. the day to day financial management of services within their directorate is carried out in a secure, efficient and effective manner, and in accordance with the Financial Procedure Rules and associated relevant guidance.
 - b. expenditure is contained within the service's overall approved budget and that individual budget heads are not overspent, by

monitoring the budget and taking appropriate and timely corrective action where significant variances are forecast and if necessary, seeking specific in year approval for the transfer of resources between budgets.

- c. regular reports in an approved format are made to Cabinet on projected expenditure against budget and performance against service outcome targets.
- d. prior approval is sought at the appropriate level for new proposals that create financial commitments in future years, change existing policies, initiate new policies or materially extend or reduce the Council's services.
- e. resources are only used for the purposes for which they were intended.
- f. compliance with the scheme of virement (as set out in the following section "MANAGING EXPENDITURE: SCHEME OF VIREMENT").
- g. risks are appropriately assessed, reviewed and managed.
- h. all members of staff are fully trained, aware of and comply with the requirements of Financial Procedure Rules, including the Contract Procedure Rules.
- i. all allegations of suspected fraud, corruption and financial irregularity are promptly reported to the Section 151 Officer and Chief Internal Auditor and that any local investigations are undertaken thoroughly, consistently and impartially.

B.33 Schemes of Financial Delegation will set out all financial responsibilities and approval limits as delegated by the Executive Directors and Assistant Directors to Service Managers, and any sub-delegations within services. Authorised Officers are those officers given specific delegated authority by their Executive Directors and Assistant Director as documented in that service's Scheme of Financial Delegation. The financial limits specified in the Scheme of Financial Delegation will be used to control access to financial systems and on-line transaction approvals. The Section 151 Officer will provide advice and prescribed format to Executive Directors and Assistant Directors to facilitate the completion of the Schemes of Financial Delegation. The Section 151 Officer to review and approve all Schemes of Financial Delegation on an annual basis.

MANAGING EXPENDITURE

SCHEME OF VIREMENT

- B.34** A virement constitutes the movement of existing approved budgets from one area to another and is not an increase in overall budgets through the addition of new monies.
- B.35** The Scheme of Virement is intended to enable the Cabinet, Executive Leadership Team and Strategic Leadership Board and their staff to

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manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.

- B.36 The full Council is responsible for agreeing limits for virement of expenditure between budget headings.
- B.37 Executive Directors and Assistant Directors are responsible for agreeing in-year virements within delegated limits; in consultation with the Section 151 Officer where required and ensuring that written records of any changes are maintained.
- B.38 Key controls for the scheme of virement are:
- a. it is administered by the Section 151 Officer within guidelines set by the full Council. Any departure from this scheme requires the approval of the full Council.
 - b. the overall budget is agreed by the Cabinet and approved by the full Council. Executive Directors, Assistant Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. Income received cannot be used to defray expenditure.
 - c. for the purposes of this scheme, a budget head is considered to be a division of service as identified in the approved Budget Report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis
 - d. virement does not create additional overall budget liability
 - e. no virements are permitted from ring fenced budgets
- B.39 Some revenue virements are essentially of an administrative nature, for example, implementation of restructuring and reorganisation proposals that have already received the appropriate level of officer and Member approval; routine changes to the structure of the chart of accounts or changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Councils cash expenditure. Where the virement is of an administrative nature, Member approval is not required and approval limits will be based on the Scheme of Financial Delegation. Administrative virements that exceed these limits will be approved by the Section 151 Officer.
- B.40 Executive Directors and Assistant Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Executive Directors and Assistant Directors must plan to fund such commitments from within their own budgets.

B.41 Where transfers are a single transaction they must be affected as such and must not be undertaken as two or more smaller transactions.
Approval limits for virements are as follows:

REVENUE AND CAPITAL VIREMENTS

VIREMENT WITHIN A PORTFOLIO

| Virement Amount (within portfolio) | Approval Level |
|--|---|
| Up to and including £100,000 | The relevant Executive Director or Assistant Director |
| In excess of £100,000 up to and £250,000 | The relevant Executive Director or Assistant Director in consultation with the Cabinet Member and the Section 151 Officer |
| In excess of £250,000 up to and including £1,000,000 | The relevant Cabinet Member in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services) |
| Over £1,000,000 (where virement is within budget framework) | Cabinet |
| Over £1,000,000 (where virement is outside budget framework) | Council |

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VIREMENT BETWEEN PORTFOLIOS

| Virement Amount (between portfolios) | Approval Level |
|---|---|
| Up to and including £250,000 | The relevant Executive Director or Assistant Director in consultation with the Cabinet Members and the Section 151 Officer |
| In excess of £250,000 up to and including £1,000,000 | The relevant Cabinet Members in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services Portfolio). |
| Over £1,000,000 (where virement is within budget framework) | Cabinet |

SUPPLEMENTARY REVENUE ESTIMATES

- B.42 Where services wish to undertake an activity not originally identified in the budget or incur additional revenue expenditure on an existing activity where this is fully funded (for example through additional specific grant allocations), approval must be sought for a supplementary revenue estimate in accordance with the following table. The Section 151 Officer must be consulted to establish that any additional grant funding identified can be legitimately linked to the expenditure in question and the net impact of the proposal must be neutral on the Councils overall budget.
- B.43 Approval limits for fully funded supplementary revenue estimates are as follows:

| Supplementary Estimate Amount | Approval Level |
|--|---|
| Up to and including £100,000 | The relevant Executive Director or Assistant Director |
| In excess of £100,000 up to and including £250,000 | The relevant Executive Director or Assistant Director in consultation with the Cabinet Member and the Section 151 Officer |
| In excess of £250,000 up to and including £500,000 | The relevant Cabinet Member in consultation with Cabinet Member for Regulatory, Compliance and Corporate Service (or the Leader of the Council if the matter concerns the Cabinet Member Regulatory, Compliance and Corporate Services) and the Section 151 Officer |
| In excess of £500,000 up to and including £1,000,000 | Cabinet |
| Over £1,000,000 | Council |

B.44 During the financial year, all earmarked reserves and contingencies will be reviewed at least once. In the event that funding can be released the approval limits for the utilisation of this funding for either a supplementary revenue or capital estimate are as follows:

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| Supplementary Estimate Amount | Approval Level | |
|--|--|--|
| | From Earmarked Reserves | From Contingencies |
| Up to and including £250,000 | Section 151 Officer | Section 151 Officer |
| In excess of £250,000 up to and including £500,000 | Section 151 Officer in consultation with the Chief Executive | Section 151 Officer in consultation with the Chief Executive |
| In excess of £500,000 up to and including £1,000,000 | Cabinet | Section 151 Officer in consultation with the Cabinet Member for Regulatory Compliance and Corporate Services |
| Over £1,000,000 | Council with recommendation from Cabinet | Cabinet |

B.45 Supplementary revenue estimates which are to be funded wholly or in part from general reserves or general purpose funding (i.e. Council Tax or non-ring fenced grant) must be approved by Council regardless of value.

SUPPLEMENTARY CAPITAL ESTIMATES

B.46 Council approves the inclusion of capital block grant allocations within the capital programme. The respective Cabinet Members in conjunction with the Council's Section 151 Officer have delegated authority to allocate capital grants to capital projects to be included within the capital programme up to a level of £1m per individual scheme. Schemes above this threshold will require approval by Council.

- B.47 Supplementary capital estimates which are fully funded from external resources (e.g. specific grant; developer’s contributions) must be approved in accordance with following table.
- B.48 Capital budget increases funded wholly or in part from additional Council resources such as capital reserves, borrowing and capital receipts, regardless of value, must be approved by Council. Council approval is also required where there are significant revenue implications for future year’s budgets.
- B.49 Approval limits for supplementary capital estimates are as follows:

| Supplementary Estimate Amount | Approval Level |
|--|--|
| Up to and including £100,000 | Section 151 Officer in consultation with the Chief Executive |
| In excess of £100,000 up to and including £250,000 | Section 151 Officer in consultation with Cabinet Member for Regulatory Compliance and Corporate Services |
| In excess of £250,000 up to and £1,000,000 | Cabinet |
| Over £1,000,000 | Council with recommendation from Cabinet |

SECTION 106

- B.50 Full delegation with respect of the allocation of Neighbourhoods Section 106 balances is given to the Assistant Director of People (Communities).

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- B.51 The Assistant Director of People (Communities) will ensure that any expenditure commitments are in accordance with each individual agreement and the associated legislative requirements. The Assistant Director of People (Communities) will make arrangements for adequate records to be kept to meet the reporting requirements of the Annual Infrastructure Funding Statement.
- B.52 Approval limits will be set by the Assistant Director of People (Communities) and agreed with the Section 151 Officer and will be recorded within the Schemes of Financial Delegation for the service area.
- B.53 Reporting will be in accordance with the Council's normal and established monthly monitoring process.

TREATMENT OF YEAR END BALANCES

- B.54 The full Council is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.
- B.55 A budget heading is considered to be a division of service as identified in the approved Budget Report, or, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.
- B.56 Any revenue underspending at the year-end may be carried forward, subject to the agreement of the Cabinet. The Section 151 Officer will identify and make recommendations about the carry forward of underspend to Cabinet as part of the budget monitoring reporting process. All carry forward proposals must be supported by an appropriate business case demonstrating that the underspend was planned and that the resources carried forward will be earmarked for a specific and appropriate purpose. Executive Directors and Assistant Directors should include provisional indications of likely carry forward requests as part of their in year budget and performance monitoring. Before approval is sought for a carry forward, Executive Directors and Assistant Directors should ensure that there are no unfunded overspendings within their service. It is extremely unlikely that proposed carry forwards will be approved if there are unfunded overspendings elsewhere within the service.
- B.57 Capital block provisions are allocations within which the full cost value of approved schemes must be contained. Any uncommitted sum at the year-end may be carried forward subject to consideration by Cabinet. Any uncommitted sum which is not justified on this basis will be returned to Council balances. Equally, any overspending will be carried forward as the first call on the following year's provision.

ACCOUNTING POLICIES

- B.58 The Section 151 Officer is responsible for selecting appropriate accounting policies; exercising oversight of financial and accounting records and systems; and preparing and publishing reports containing statements on the overall finances of the Council including the annual statement of accounts.
- B.59 The key controls for accounting policies are:
- a. systems of internal control are in place to ensure that financial transactions are lawful
 - b. suitable accounting policies are selected and applied consistently
 - c. accurate and complete accounting records are maintained
 - d. financial statements are prepared which present fairly the financial position of the Council and its expenditure and income
- B.60 The Section 151 Officer is responsible for:
- a. selecting suitable accounting policies and ensuring that they are applied consistently
 - b. exercising supervision over financial and accounting records and systems
 - c. preparing and publishing reports containing the statements on the overall finances of the Council including the Council's Annual Report and Accounts
- B.61 Executive Directors and Assistant Directors are responsible for ensuring that all staff within their directorates receive any relevant financial training which has been approved by the Section 151 Officer, and that they are aware of and adhere to the accounting policies, procedures and guidelines set by down by the Section 151 Officer.

ACCOUNTING RECORDS AND RETURNS

- B.62 The Section 151 Officer is responsible for determining and approving the accounting procedures and records for the Council.
- B.63 All accounts and accounting records will be compiled by the Section 151 Officer or under his/her direction. The form and content of records maintained in other directorates will be approved by the Section 151 Officer.
- B.64 The key controls for accounting policies are:
- a. calculation, checking and recording of sums due to or from the Council will be separated as completely as possible from their collection or payment

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- b. officers responsible for examining and checking cash transaction accounts will not process any of these transactions themselves
- c. reconciliation procedures are carried out to ensure transactions are correctly recorded
- d. procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- e. prime documents are retained in accordance with legislative and other requirements.

THE ANNUAL STATEMENT OF ACCOUNTS

- B.65 The Section 151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom (CIPFA/LASAAC) and signing them in accordance with the Accounts and Audit Regulation 2015. Approval of the statutory accounts has been delegated by Council to the Audit and Governance Committee.

SECTION C - FINANCIAL PLANNING

WHY THIS IS IMPORTANT

- C.1 Financial planning is the development of effective systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. Preparing a policy framework, comprehensive budgets and robust business and performance plans are the key elements to achieving this. By regular monitoring, the Council can ensure that legal requirements and other relevant government guidelines are met and that variances and spending pressures are identified and dealt with promptly.
- C.2 The full Council is responsible for agreeing the Council's Budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- a. the Medium Term Financial Plan – sets out:
 - what the Council wants to achieve in the short and medium term
 - how services will change in the light of priorities, performance, resources, workforce planning needs and consideration of risks
 - investment required to deliver change
 - how much services will cost in overall terms and to service users
 - b. the Budget – this is the financial expression of the Council's Business Plan. It sets out the allocation of resources to services and projects, the level of contingency funding, the Council Tax base and Council Tax rate, borrowing limits and capital financing requirements.
 - c. the Capital Programme – Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
 - d. the Capital Strategy and Treasury Management Strategy – which sets out the arrangements for the management of the Council's borrowing, lending, cash flows and investments
 - e. specific Strategies which have a financial implication

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WHAT IS COVERED IN THIS SECTION

- C.3 The following aspects of Financial Planning are covered in this section:
- Policy Framework
 - Budget Plan
 - Revenue Budget Monitoring and Control of Revenue Expenditure
 - Monitoring and Control
 - Contingent Liabilities
 - Determination, Monitoring and Control of Affordable Borrowing
 - Resource Allocation
 - Capital Expenditure
 - Capital Monitoring, Approvals and Amendments to the Capital Programme
 - Capital Receipts
 - Leasing and Rental Agreements
 - Commercial Activity
 - Maintenance of Reserves
 - Reporting

POLICY FRAMEWORK

- C.4 The full Council is required by law, to agree a Policy Framework. The Policy Framework is comprised of the plans and strategies as set out in Chapter 4 of the Constitution.
- C.5 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the Policy Framework.
- C.6 The full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the Policy Framework within the financial limits set by the Council.

BUDGET PLAN

- C.7 Each year the Section 151 Officer is responsible for preparing a budget plan for the Council including an approved revenue budget, capital programme, treasury management strategy (new capital strategy) and reserves strategy detailing the financial and service scenario and the policy and expenditure changes required to respond to this scenario.
- C.8 Executive Directors and Assistant Directors will support this process by assessing and advising on the service scenario and policy and

expenditure options for revenue and capital, in their area of responsibility, in a form determined by the Section 151 Officer.

- C.9 The Cabinet, advised by the Section 151 Officer, Executive Directors and Assistant Directors, will develop a budget package including financing options, policy and expenditure options and capital programme. This will be subject to scrutiny by the Overview and Scrutiny Committee before the Cabinet finalises its recommendations to Council. The final Budget policy and Council Tax will be determined by Council.

REVENUE BUDGET MONITORING AND CONTROL REVENUE EXPENDITURE

- C.10 Revenue expenditure is broadly defined as any expenditure incurred on the day to day running of the Council. Examples of revenue expenditure include salaries, energy costs, and consumable supplies and materials.

MONITORING AND CONTROL

- C.11 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control expenditure against budget allocations at a corporate level and report to the Cabinet on the overall position on a regular basis.
- C.12 It is the responsibility of Executive Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information and guidance provided by the Section 151 Officer. They must report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any potential overspending or under-achievement of income budgets in a timely manner.
- C.13 The Section 151 Officer is responsible for the following:
- a. Establishing an appropriate framework of budgetary management and control which ensures that:
 - budget management is exercised within annual budget allocations unless the full Council agrees otherwise
 - timely information on receipts and payments is made available, which is sufficiently detailed to enable officers to fulfil their budgetary responsibilities

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- expenditure is committed only against an approved budget head
 - all officers responsible for committing expenditure comply with relevant guidance, and the Financial and Contract Procedure Rules
 - each cost centre has a single named manager, determined by the relevant Executive Director and Assistant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
 - significant variances from approved budgets are investigated and reported by budget managers regularly
- b. Administering the Council's scheme of virement
 - c. Submitting reports to the Cabinet and to the full Council, in consultation with the relevant Executive Director or Assistant Director, where they are unable to balance expenditure and resources within existing approved budgets under their control
 - d. Preparing and submitting reports on the Council's projected income and expenditure compared with the budget on a regular basis.

C.14 Executive Directors and Assistant Directors are responsible for the following:

- a. Maintaining budgetary control within their Services and ensuring that all income and expenditure is properly recorded and accounted for
- b. Ensuring that an accountable budget manager is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- c. Ensuring that spending remains within the service's overall approved budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate and timely corrective action where significant variations from the approved budget are forecast.
- d. Ensuring that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively
- e. Preparing and submitting to the Cabinet regular reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer
- f. Ensuring prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
 - create financial commitments in future years
 - change existing policies, initiate new policies or cease existing policies or materially extend or reduce the Council's services.
- g. Ensuring compliance with the scheme of virement
- h. Agreeing with the appropriate Executive Director or Assistant Director any budget proposal, (including a virement proposal) which impacts their respective service areas, after having

consulted with the Section 151 Officer and the Cabinet Member Regulatory and Compliance and Corporate Resources

- i. Ensuring Schemes of Financial Delegation are maintained for all within their area of responsibility
- j. Ensuring best value is obtained.

CONTINGENT LIABILITIES

C.15 Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events which are not wholly within the control of the Council.

C.16 The S151 Officer is responsible for:

- a. reviewing at least annually in consultation with Executive Directors and Assistant Directors the existing contingent liabilities and ensuring that a balance sheet provision is made where necessary, in accordance with CIPFA guidance.
- b. taking steps wherever possible, in consultation with the Chief Executive, Executive Directors and Assistant Directors, to minimise the risk of contingent liabilities.

C.17 The Chief Executive, Executive Directors and Assistant Directors are responsible for:

- a. setting up procedures and processes to minimise the risk of creating contingent liabilities
- b. reviewing at least annually their service areas for contingent liabilities
- c. informing the Section 151 Officer of any new contingent liabilities and of any changes in the circumstances of existing contingent liabilities.

C.18 These regulations may be modified by any Delegation Scheme which the Council may approve from time to time.

DETERMINATION, MONITORING AND CONTROL OF AFFORDABLE BORROWING

C.19 Under the Local Government Act 2003 the Council is required by regulation to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure that within a clear framework, the capital investment plans

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of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management supports prudence, affordability and sustainability. The Code explicitly states that authorities must not borrow to invest primarily for a financial return.

C.20 The Council is responsible for approving prior to the commencement of the financial year the prudential indicators for the forthcoming financial year and subsequent financial years as required by the Code. The indicators required as a minimum are:

- a. Estimates of capital expenditure
- b. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)
- c. Authorised limit for external debt
- d. Operational boundary for external debt
- e. Estimate of gross debt to CFR
- f. Estimated Liability benchmark
- g. Estimates of the ratio of financing costs to net revenue stream
- h. Estimate of net income from commercial and service investments to net revenue stream

After the year end actual values are to be calculated for:

- a. Capital expenditure
- b. Capital financing requirement
- c. External debt
- d. Liability benchmark
- e. Ratio of financing costs to net revenue stream
- f. Ratio of net income from commercial and service investments to net revenue stream

C.21 The Section 151 Officer is responsible for:

- a. establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that net external borrowing does not exceed the capital financing requirement.
- b. reporting to Council any significant deviations from expectations.
- c. ensuring that regular monitoring is undertaken in year against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the capital financing requirement.
- d. reporting to Council, setting out management action, where there is significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts.

RESOURCE ALLOCATION

- C.22 The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.
- C.23 The Section 151 Officer is responsible for:
- a. advising on methods available for the funding of resources, such as grants from central government and borrowing requirements
 - b. assisting in the allocation of resources to budget managers
- C.24 Executive Directors and Assistant Directors are responsible for:
- a. working within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way
 - b. identifying opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery

CAPITAL EXPENDITURE

- C.25 Capital expenditure is broadly defined as expenditure on the acquisition of a tangible asset, or expenditure which enhances (rather than merely maintains), the value of an existing asset and/or extends the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year. Sefton's de minimis level for new assets is currently £10,000. This limit can be varied at the discretion of the Section 151 Officer.

CAPITAL MONITORING, APPROVALS AND AMENDMENTS TO THE CAPITAL PROGRAMME

- C.26 The Section 151 Officer is responsible for preparing and submitting reports to Cabinet on the Council's projected capital expenditure and resources compared with the budget on a regular basis, as well as an annual outturn report after the close of the financial year.
- C.27 The Section 151 Officer is responsible for establishing procedures to monitor and report on performance compared to the prudential indicators set by the Council.

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- C.28 The Section 151 Officer in conjunction with the Chief Executive is responsible for:
- a. Setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and are achievable
 - b. Compiling a capital programme for approval by Council
 - c. Setting up procedures for corporate monitoring of external sources of capital funding
 - d. Ensuring that expenditure treated as capital expenditure by the Council is in accordance with the best accounting practice
- C.29 Executive Directors and Assistant Directors are responsible for:
- a. liaising with the Section 151 Officer ensuring that estimated final costs of schemes in the approved capital programme are included within the reports to Cabinet of the overall capital programme position
 - b. reporting to the Section 151 Officer circumstances when it is considered that additional Council capital resources will be required to implement a project that has previously been given approval to spend, where such additional resources cannot be identified from within the portfolio programme concerned
 - c. reporting to the Section 151 Officer on any proposed variations to the capital programme during a financial year
 - d. seeking authority for a capital scheme which is not in the capital programme agreed by Council or changes to capital programme
- C.30 Any 'in year' approval sought for capital schemes, must be supported by a completed, detailed Business Case template, in a format approved by the Section 151 Officer, prior to submission through the appropriate decision-making route.

CAPITAL RECEIPTS

- C.31 The Section 151 Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.
- C.32 On the advice of the Section 151 Officer, the Council will determine how capital receipts will be applied when setting the annual revenue and capital budget.

LEASING AND RENTAL AGREEMENTS

- C.33 Leasing or renting agreements must not be entered into unless the service has established that they do not constitute a charge against the Council's prudential borrowing limits. The Section 151 Officer is responsible for issuing any financial procedures /guidance in relation to Leases and Lease agreements including, but not limited to, those leases and lease arrangements relating to schools, commercial and general leasing activity. Leases, including land or property, of less than 20 years can be agreed by the Section 151 Officer via a Chief Officers Report. Leases, including land and property, of 20 years or more will require Cabinet Member approval in addition to the Section 151 Officer.
- C.34 Leases relating to land or property following the approval process can only be signed by the Monitoring Officer or his/her authorised deputies, or persons specifically authorised by the Service Scheme of Financial Delegation, may sign such agreements. The Chief Executive, Executive Directors and Assistant Directors are responsible for ensuring all procedures / guidance issued by the Executive Director of Corporate Resources and Customer Services in regard to Leases and Lease arrangements are complied with.

COMMERCIAL ACTIVITY

- C.35 The Council holds a selection of assets that support the Council's Core Purpose and operate on a more commercial basis than other elements of the Council's General Fund. These include the Council's wholly owned companies – Sandway Homes Limited, Sefton Hospitality Operations Limited and Sefton New Directions Limited – together with Bootle Strand Shopping Centre.
- C.36 For such defined assets, detailed business plans outlining forecast income and expenditure over a determined period are produced for approval by Cabinet. Business plans should be reviewed and refreshed annually and presented to Cabinet for approval. Where the business plans require budgetary approval – including revenue or capital expenditure– this is approved in line with the requirements of the Financial Procedure Rules.
- C.37 In order to support the management of these assets, Cabinet have approved the establishment of an Investment Board (led by the Chief Executive and including the Section 151 Officer) that will provide the strategic management function to these assets. The approval of these business cases will include provision that all financial (capital and revenue) and operational decisions will be delegated to the Investment Board where the implications can be contained within the approved business plans.

- C.38 Investment Board will review monitoring reports on financial and operational performance on a monthly basis and will escalate any material variations to Cabinet as part of the Council's normal monthly budget monitoring process or via standalone reports where appropriate.
- C.39 Where there are requirements for additional financial resources in year for additional activity not included within the approved business plans – such as additional revenue or capital expenditure – approval should be sought in line with the requirements of the Financial Procedure Rules for supplementary revenue or capital estimates. The write-off of any assets or unrecoverable bad debts associated with these commercial assets should be approved as outlined under the Asset Disposal / Write-Off section of the Financial Procedure Rules.
- C.40 Business plans should be reviewed and refreshed annually and presented to Cabinet for approval each Autumn to allow for the financial implications to be included within the budget each Spring. Annual reports on financial and operational performance should also be presented to Overview and Scrutiny Committee.
- C.41 Cabinet will continue to have executive leadership of commercial assets and will monitor performance through the approval and monitoring of business plans, ensuring that capital expenditure is in accordance with the Council's Treasury Management Strategy and Prudential Indicators. Performance will be reported on a quarterly basis.

MAINTENANCE OF RESERVES

- C.42 It is the responsibility of the Section 151 Officer to advise the Cabinet and/or the full Council on prudent levels of reserves for the Council.
- C.43 The key controls are:
 - a. Professional standards as set out in the Code of Practice on Local Authority Accounting in the United Kingdom: and agreed accounting policies
 - b. Clear agreement of the purpose for which reserves are held and the type of expenditure which they may be used to fund
 - c. Clear processes for the authorisation of Appropriations (transfers between accounts to and from reserves)
- C.44 The Section 151 Officer is responsible for advising the Cabinet and/or the full Council on prudent levels of reserves for the Council, having due regard to any advice that may be offered by the Council's external auditor and other professional bodies (e.g. CIPFA) in this matter.

- C.45 Executive Directors and Assistant Directors are responsible for ensuring that resources are used only for the purposes for which they were intended.

REPORTING

- C.46 Executive Directors and Assistant Directors are responsible for preparing reports on overall financial and non-financial performance for their Services and for submitting these to the Cabinet, and the Overview and Scrutiny Committee after consulting the Section 151 Officer in accordance with procedures agreed from time to time. These reports must include specific reference to the implementation of policy changes and new developments agreed as part of the budget setting process and other specific requirements as notified in the reporting guidance. Executive Directors and Assistant Directors will also be required to support the Section 151 Officer in reporting on the progress and forecast of all capital expenditure and income against the approved programme.
- C.47 Any reports are to include specific reference to Service performance against the expected non-financial outcomes in the form of key performance targets. Executive Directors and Assistant Directors are expected to achieve value for money in the delivery of services and the reports should demonstrate how this has been achieved together with an analysis of how key policy and expenditure proposals have been implemented.
- C.48 The key reporting stages are:
- a. Approval of the Business Case, which will be in a form prescribed by the Section 151 Officer before it can be included in the Capital Programme
 - b. Monthly reviews of revenue and capital expenditure produced by the Section 151 Officer in consultation with Executive Directors and Assistant Directors
 - c. Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all major capital schemes completed during the year.
- C.49 In addition, the reports will be specifically required to give details in respect of the following:
- a. Potential overspends and proposed remedial action, including any impact on balances and future year's budgets which may need to be factored in to future financial scenario planning
 - b. Amendments to approved budgets (virements, supplementary capital estimates etc.) where Member approval is required.

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SECTION D - RISK MANAGEMENT AND CONTROL OF RESOURCES

WHY THIS IS IMPORTANT

- D.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

WHAT IS COVERED IN THIS SECTION

- D.2 The following aspects of Risk Management and Control of Resources are covered in this section:

- Risk Management and Insurance
- Operational Risk
- Business Continuity
- Internal Controls
- Audit Requirements (Internal and External)
- Preventing Fraud and Corruption
- Assets (Property, Inventory, Stocks, Cash, Disposal / Write Off and Intellectual Property)
- Treasury Management
- Banking
- Investments and Borrowing
- Loans to Third Parties and Acquisition of Third Party Interests
- Trust Funds and Funds Held for Third Parties
- Staffing (Salaries and Wages, Early Retirement/Severance, Travelling and Subsistence, Code of Conduct, Third Party Funds and Retention of Records)

RISK MANAGEMENT AND INSURANCE

- D.3 The Cabinet is responsible for advising Council on an appropriate risk management policy statement and strategy, and for reviewing the effectiveness of risk management. The Audit and Governance Committee is responsible for monitoring the effectiveness of the risk management policy. The Cabinet is also responsible for ensuring that proper insurance exists where appropriate.
- D.4 The Section 151 Officer is responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council.

INSURANCE

- D.5 The Section 151 Officer will maintain and administer the Council's insurances. The Section 151 Officer is responsible for authorising the settlement or repudiation of insurance claims and associated costs acting on advice from the Council's Legal Services, insurers, and claim handlers.
- D.6 Executive Directors and Assistant Directors are responsible for informing the Section 151 Officer immediately of:
- a. any events which may result in an insurance claim against the Council
 - b. the terms of any indemnity which the Council is required to give prior to entering into any contracts etc.
 - c. any new risks which might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working, and changes in legislation requiring new ways of delivery etc., where the insurance impact is often overlooked
- D.7 No new insurances may be taken out without prior consultation with the Section 151 Officer.
- D.8 Executive Directors and Assistant Directors must ensure that there is co-operation with the Insurance Team in providing the correct documentation and that the correct retention of documents is observed.

RISK MANAGEMENT

- D.9 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.
- D.10 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Assistant Directors. The Audit and Governance Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.
- D.11 Executive Directors and Assistant Directors are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.
- D.12 The principles within the Corporate Risk Management Handbook consist of:

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- a. identification of risks, both negative and positive, in relation to the objectives of the Council.
 - b. evaluation of risks scored for likelihood and impact, both gross (before any controls) and net (with existing controls)
 - c. treatment of the risk either by: treat, tolerate, transfer or terminate the activity.
 - d. actions and risks monitored and reviewed on a regular basis.
 - e. the Council's Corporate Risk Register will be developed and maintained by the Chief Internal Auditor in consultation with Executive Directors and Assistant Directors.
- D.13 There are three levels to the Risk Register. There should be a movement of risks both upwards and downwards throughout the levels and treatment addressed at the most appropriate level of the organisation.
- a. Corporate – those risks that impact on the organisation's overall objectives either because of their frequency of occurrence or the significance of the impact.
 - b. Service – those risks that impact on the service objectives.
 - c. Operational – minor risks that are managed within the service area that impact on the operational performance of the team. Where the risks increase they should move upwards into the service and potentially corporate risk register.

OPERATIONAL RISK

- D.14 Executive Directors and Assistant Directors are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.
- D.15 Executive Directors and Assistant Directors will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.
- D.16 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.
- D.17 The Corporate Risk Register will be reported to Executive Directors and Assistant Directors / Strategic Leadership Board and to the Audit and Governance Committee on a quarterly basis.

BUSINESS CONTINUITY

- D.18 The Civil Contingencies Act 2004 places a statutory requirement for Local Authorities to maintain plans for the continuation of services in the event of an emergency, so far as is reasonably practicable. Services are expected to have arrangements in place to ensure the effective identification, evaluation and management of business critical services.

INTERNAL CONTROLS

- D.19 Internal Control refers to the systems devised by management to help ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the Council's assets are safeguarded.
- D.20 The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.
- D.21 It is the responsibility of Executive Directors and Assistant Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness.

AUDIT REQUIREMENTS

INTERNAL AUDIT

- D.22 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 2015 more specifically require that a "relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk."
- D.23 The Public Sector Internal Audit Standards define internal auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic,

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disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- D.24 The Council’s Internal Audit Team delivers this function within the Council and provides assurance to the Section 151 Officer and the Audit and Governance Committee, with regard to the effectiveness of the Council’s internal control environment.
- D.25 The Council must, on an annual basis, produce an Annual Governance statement. This statement must provide a description of the system of internal control within the Council, a description of any work undertaken to assess the effectiveness of the internal control framework, and any significant governance issues.
- D.26 To contribute to the production of the Annual Governance Statement, the Chief Internal Auditor is responsible for planning and delivering a programme of independent review of the Council’s activities, the scope of the programme being based on the Council’s objectives and an assessment of the risk which may affect the achievement of these objectives.
- D.27 The Chief Internal Auditor is also responsible for reporting to those charged with governance and currently satisfies this requirement by presenting an annual report to the Audit and Governance Committee, in which the activity of the internal audit service during the preceding financial year is summarised as to arrive at an opinion on the effectiveness of the Council’s internal control. The annual internal audit plan is presented to Audit and Governance Committee for approval and a report summarising performance and key findings is presented to every Audit and Governance meeting.
- D.28 The Internal Audit Charter sets out that Audit staff will have, in accordance with the Accounts and Audit Regulations, and with strict accountability for confidentiality, and safeguarding records and information, full, free and unrestricted access to any and all of the Council’s premises, personnel, assets and records. Rights of access to relevant external bodies will be set out in the contracts/ agreements.

EXTERNAL AUDIT

- D.29 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- D.30 The Local Audit and Accountability Act 2014 established new arrangements for the audit and accountability of relevant authorities. Under these new arrangements the Council has opted for its external auditors to be appointed by the Public Sector Audit Appointments Limited (PSAA), an independent company established by the LGA for

this purpose.

- D.31 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- D.32 The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy which should be presented to Cabinet for approval.
- D.33 The Council has an approved Anti-Fraud and Corruption Policy which places responsibility for preventing fraudulent activity with all Members, Managers and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving Council assets or those of a third party fund, must be notified immediately to the Section 151 Officer and Chief Internal Auditor.
- D.34 The Monitoring Officer will, in consultation with Section 151 Officer and Chief Internal Auditor, decide whether any matter under investigation should be recommended for referral to the Police or the appropriate enforcement agency. The Council's External Auditor also has powers to independently investigate fraud and corruption.

ASSETS

- D.35 In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land and infrastructure; furniture; equipment; plant; stores and "intellectual property" such as computer software, data and information of all kinds.
- D.36 Executive Directors and Assistant Directors are responsible for the care, control and proper and economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security. Information Assets should be recognised in line with the Council's guidance and recorded in the Information Asset Register.
- D.37 Executive Directors and Assistant Directors are responsible for ensuring that assets are used only for official purposes and that all appropriate rights, licenses and insurances are obtained.

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- D.38 Executive Directors and Assistant Directors are responsible for ensuring that all computer software used is properly licensed.
- D.39 Executive Directors and Assistant Directors are expected to have policies in place for:
 - a. the effective disposal of surplus assets
 - b. asset replacement programme
 - c. compilation of and regular review of Asset inventories
- D.40 The Service Manager – Property Services is responsible for ensuring there is a current Asset Management Strategy and Asset Disposal Policy in place.

PROPERTY

- D.41 The Service Manager – Property Services is responsible for maintaining a “property terrier” recording all land and buildings owned by the Council. The delegated Monitoring Officer is responsible for the safe keeping and recording of all property deeds.
- D.42 The Council’s Asset Management Strategy sets out the vision, core values and objectives that form the context for the preparation of the Corporate Asset Management Plan and Service Asset Management Plans.
- D.43 All property acquisitions, lettings and disposals must be in accordance with the Council’s rules and procedures. Separate rules apply to specific processes, such as the use of capital receipts from property sales to pay for new schemes, and guidance should be sought from the Section 151 Officer where this arises.

INVENTORIES

- D.44 Executive Directors and Assistant Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.
- D.45 For ICT equipment, Executive Directors and Assistant Directors must ensure they, and staff within their service areas, adhere to the requirements of the ICT Acceptable Use Policy, the Starters, Movers and Leavers Policy and any associated guidance.
- D.46 The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements must be separately identified for disclosure in the published final

accounts. The Section 151 Officer will provide guidance on the procedures to be followed.

STOCKS

- D.47 Stock is defined as consumable items constantly required and held by a Service in order to fulfil its functions. Executive Directors and Assistant Directors are responsible for the control of stocks. They must ensure that stocks are appropriately secured and recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

CASH

- D.48 Cash held on any Council premises should be held securely, and should not exceed any sums for which the Council is insured. If retention of cash on site is unavoidable in exceptional circumstances, the Assistant Director is responsible for making appropriate security arrangements. All cash should be banked as quickly as possible.

ASSET DISPOSAL/WRITE-OFF

- D.49 Executive Directors and Assistant Directors may authorise the disposals, of obsolete or surplus equipment / groups of items, materials, vehicles or stores up to a disposal value of £10,000 in consultation with the Section 151 Officer. For write offs of £10,000 and over per item or group of items, this should be reported jointly by the Section 151 Officer and the relevant Assistant Director to the Audit and Governance Committee for write-off action.
- D.50 Any write off which arises as a result of theft or fraud must be notified to the Chief Internal Auditor immediately.

INTELLECTUAL PROPERTY

- D.51 The Chief Executive is responsible in conjunction with the Monitoring Officer for developing and disseminating best practice regarding the treatment of intellectual property.
- D.52 The Chief Executive, Executive Directors and Assistant Directors are responsible for:

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- a. Ensuring that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council.
- b. Complying with copyright, design and patent legislation and, in particular, to ensure that:
 - Only software legally acquired and installed by the authority is used on its computers,
 - Staff are aware of legislative provisions, and
 - In developing systems, due regard is given to the issue of intellectual property rights.

TREASURY MANAGEMENT

- D.53 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- D.54 The full Council is responsible for approving the treasury management policy statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Cabinet. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.
- D.55 All money in the hands of the Council is controlled by the Section 151 Officer as designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the finance director.
- D.56 The Section 151 Officer is responsible for proposing to the Cabinet a treasury management strategy for the coming financial year at or before the start of each financial year. Full Council is responsible for approving the strategy.
- D.57 All Cabinet decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- D.58 The Section 151 Officer is responsible for reporting to the Council no less than two times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprises a mid-year review and an annual report on treasury management for presentation prior to the 30th June following each financial year end.

BANKING

- D.59 It is the responsibility of the Section 151 Officer to operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Section 151 Officer.
- D.60 Executive Directors and Assistant Directors are responsible for operating bank accounts opened with the approval of the Section 151 Officer in accordance with issued guidelines.

INVESTMENTS AND BORROWINGS

- D.61 It is the responsibility of the Section 151 Officer to:
- a. ensure that all investments of money are made in the name of the Council or in the name of approved nominees
 - b. ensure that all securities that are the property are held in the name of the Council or its nominees (the Chief Legal and Democratic Officer is responsible for ensuring the title deeds of all property in the Council's ownership is held in safe custody)
 - c. effect all borrowings in the name of the Council
 - d. act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council

LOANS TO THIRD PARTIES AND ACQUISITION OF THIRD PARTY INTERESTS

- D.62 Interests should not be acquired in companies, joint ventures or other enterprises without obtaining prior approval of the full Council, the Leader, Cabinet or the appropriate Cabinet Member as outlined below.
- a. The Section 151 Officer, Cabinet Member for Regulation and Compliance and relevant Cabinet Member(s) are jointly responsible for approving financial and asset loans made to third parties up to £50,000
 - b. The Cabinet is responsible for approving financial and asset loans between £50,000 and £1m
 - c. The Council is responsible for approving financial or asset loans above £1m
 - d. Loans transacted as part of Treasury Management activities are covered by the Treasury Management Policy and Strategy.

TRUST FUNDS AND FUNDS HELD FOR THIRD PARTIES

- D.63 It is the responsibility of the Section 151 Officer to:
- a. arrange for all trust funds to be held, wherever possible, in the name of the Council (e.g. 'Sefton Metropolitan Borough Council on behalf of.....'). All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Section 151 Officer, unless the deed otherwise provides.
 - b. arrange where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions
 - c. ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust
 - d. Approval of procedures for the management of Clients financial affairs, where the Council has been granted advocacy, Appointeeship and/or Deputyship
 - e. The Executive Directors of Children's Social Care and Adult Social Care are responsible for ensuring procedures in relation to the management of Clients financial affairs are complied with.

STAFFING

SALARIES AND WAGES

- D.64 Executive Directors and Assistant Directors are responsible, in consultation with the Chief Personnel Officer, for providing accurate and appropriate information and instructions to the Transactional HR, Payroll & Pensions Services to enable the calculation and prompt payment of salaries, expenses and pensions, including details of appointments, promotions, regrading, resignations, dismissals, retirements and absences from duty. Human Resources will advise the Transactional HR, Payroll & Pensions Services of relevant changes in respect of employee's pensions. The Service Manager – Employee Support will make arrangements for payment to the appropriate bodies, of all statutory, including taxation, and other payroll deductions.
- D.65 Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be on official forms or via authorised electronic inputs. Executive Directors and Assistant Directors are responsible for ensuring that they are certified by an authorised officer and that they are submitted to the Transactional HR, Payroll & Pensions Services in accordance with the specified timetable. This includes on-line input entered locally. The names and specimen signatures of authorised officers must be secured by Executive Directors and Assistant Directors and included in the service Scheme of

Financial Delegation notified to the Section 151 Officer.

- D.66 The Chief Personnel Officer will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

EARLY RETIREMENT/SEVERANCE

- D.67 Where Executive Directors and Assistant Directors wish to bring forward proposals under the Council's policies on severance and early retirement, they must be accompanied by a full cost and affordability assessment, in a form agreed by the Chief Executive, the Section 151 Officer and the Chief Personnel Officer. The Cabinet Member for Regulatory Compliance and Corporate Resources shall be consulted for proposals relating to Hay Grade 6 and above.
- D.68 The Chief Executive or Section 151 Officer must approve all requests up to £100,000 including pension strain. All requests in excess of £100,000 including pension strain must be approved by the Pay and Grading Committee.
- D.69 Executive Directors and Assistant Directors will generally be required to meet the costs of severance and early retirement from within their approved budget. Service efficiency applications may be subject to phasing over an agreed period. A corporate budget may also be established for staffing reductions linked to the Council's MTFP saving options and access to this budget will be subject to the agreement of the Chief Executive and the Section 151 Officer.

TRAVELLING AND SUBSISTENCE

- D.70 The Section 151 Officer and the Chief Personnel Officer are responsible for issuing guidance on travelling and subsistence. Executive Directors and Assistant Directors are accountable for ensuring their teams follow the approved guidance on travelling and subsistence claims.
- D.71 Executive Directors and Assistant Directors are responsible for instructing the Chief Personnel Officer and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to authorised employees in accordance with the terms of employment agreed by the Council.
- D.72 Executive Directors and Assistant Directors are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys which are necessary

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and actually undertaken. Executive Directors and Assistant Directors should ensure that the most economical available means of transport is used, including pool cars, hire cars and car sharing.

D.73 All claims for reimbursement must be made using appropriate official claim forms, always using electronic processing where available.

D.74 Further guidance is available via the Intranet - Pay and Expenses.

CODE OF CONDUCT

D.75 The Code of Conduct for Employees applies to, and will be followed by all officers. It covers financial, personal and other interests, gifts hospitality and other favours, sponsorship – giving and receiving, use of financial resources, disclosure of information, relationship with others, and separation of duties during tendering, appointments, political neutrality, additional employment, intellectual property, equality and declarations.

D.76 Where an outside organisation wishes to sponsor or is asked to sponsor a Council activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.

D.77 Further guidance is available via the Intranet – Personnel Policies and Procedures.

THIRD PARTY FUNDS

D.78 A third party fund is defined as any fund financed other than by the Council, controlled wholly or partly by a member of the Council's staff in connection with the clients, establishments or activities of the Council such as School Funds, Amenity Funds or Criminal Injuries Compensation Payments for children in care. A register of third party funds will be maintained by the Corporate Finance team.

D.79 Money or goods belonging to the Third Party Fund must be kept completely separate from other money or goods belonging to the Council. Similarly, completely separate records must be kept of the money or goods involved.

D.80 An independent auditor must be appointed who has suitable qualities though not necessarily professionally qualified, to audit the Third Party Fund on an annual basis. Annual Statements of Account and Audit Certificates must be formally presented to a Management Committee or other appropriate governing body of the Third Party fund.

- D.81 Executive Directors and Assistant Directors are responsible for ensuring that any Third Party Funds controlled by Council staff are:
- a. formally declared to Corporate Finance team as part of a register kept by the Service
 - b. maintained separately and correctly in accordance with these Financial Procedure Rules, and
 - c. subject to the same standards of stewardship and probity as Council funds
- D.82 The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections accounts.

RETENTION OF RECORDS

- D.83 The Council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.
- D.84 All records held should have an appropriate retention period assigned to them, which meet the statutory obligations to retain financial records, but also takes into account legislative requirements such as the Limitation Act and General Data Protection Regulation; Freedom of Information requirements; and the business needs of the Service.
- D.85 The majority of financial records must be kept for six years from the end of the tax year to which they relate. Some records however, may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods. Guidance on the appropriate retention period is given in the Council's Retention Policy and its Information Asset Register.

SECTION E - FINANCIAL SYSTEMS AND PROCEDURES

WHY THIS IS IMPORTANT

- E.1 Sound systems and procedures are essential to an effective framework of accountability and control.

WHAT IS COVERED IN THIS SECTION

- E.2 The following aspects of Financial Systems and Procedures are covered in this section:
- Banking Services
 - Banking Arrangements
 - Income (Generating Income, Charging for Income, Collecting Income and Bad Debts)
 - Ordering and Paying for Work, Goods and Services (General Principles, Payment of Invoices, Non-Invoice Payments, Credit Cards/Debit Cards/Purchase Cards, Imprest Accounts, Payment to Members and Financial Arrangements in an Emergency)
 - Taxation
 - Trading Accounts and Business Units

BANKING SERVICES

- E.3 The Council will approve the terms under which banking services, including overdraft facilities, are provided.

BANKING ARRANGEMENTS

- E.4 All bank accounts must be titled impersonally in the name of Sefton Metropolitan Borough Council.
- E.5 Subject to any directions given by the Council, all arrangements with the Council's bankers must be made solely through the Section 151 Officer. No bank accounts may be opened or arrangements made with any other bank except by agreement with the Section 151 Officer.
- E.6 Bank transfers from the General Fund and subsidiary accounts must be authorised by the Section 151 Officer, or those officers authorised to sign through the agreed Scheme of Financial Delegation or in accordance with the Treasury Management Policy and Strategy.

- E.7 Cheques drawn must bear the mechanically impressed signature of the Section 151 Officer or be signed by the Section 151 Officer or other officer authorised to sign through the agreed Scheme of Financial Delegation.

INCOME

GENERATING INCOME

- E.8 The Section 151 Officer is responsible for developing and maintaining standards, procedures, systems and reports to facilitate the effective and efficient identification, collection, receipting, banking and recovery of income due to the Council in accordance with current relevant UK legislation.
- E.9 Executive Directors and Assistant Directors are responsible for ensuring that the appropriate legal authority for all income generating activities has been identified.

CHARGING FOR INCOME

- E.10 Executive Directors and Assistant Directors, in consultation with the relevant Cabinet Member, shall determine on an annual basis the level of fees or charges payable in respect of any chargeable goods or services supplied, work undertaken or the loan or use of plant, equipment or machinery. These will be approved by Cabinet Member in advance of the start of the financial year.
- E.11 There may be circumstances where fees and charges require in year amendments – for example, during periods of economic uncertainty, where there are volatile rates of inflation and sector specific pressures. These in year changes will be approved by the relevant Cabinet Member.

COLLECTION OF INCOME

- E.12 The Council operates a Sundry Debt Collection policy to secure invoiced sundry debt income for the provision of services. All debt owing to the Council must be collected promptly, effectively, efficiently and economically, while ensuring fair treatment of those that owe money, including consideration of any financial difficulties.
- E.13 Council officers must comply with guidelines issued by the Section 151 Officer, and those contained in the Corporate Debt Policy and Corporate Debt Procedures for the safe and efficient collection and recording of all money due to the Council.

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- E.14 Executive Directors and Assistant Directors are responsible for ensuring that accounts for income due to the Council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Section 151 Officer. These must include VAT where appropriate.
- E.15 The cost of collection should be taken into account when raising accounts. Executive Directors and Assistant Directors must ensure that the method of collection is the most cost effective relative to the value of the transaction.
- E.16 Executive Directors and Assistant Directors are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and in the case of cash and cheques, banked with the minimum of delay. The frequency of banking should follow guidelines provided by the Section 151 Officer Services should avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security arrangements.
- E.17 Executive Directors and Assistant Directors are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of outstanding debt and collection issues should be included in quarterly financial updates and the final outturn report.
- E.18 The Section 151 Officer will monitor compliance with Executive Director and Assistant Director responsibilities regarding the collection of income and may, in circumstances where avoidable adverse cash flow has resulted, determine an appropriate interest charge against Service budgets.
- E.19 Credit notes must be authorised by appropriate officers nominated in the local Scheme of Financial Delegation.
- E.20 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Section 151 Officer. All controlled stationery issued to a Assistant Director must be recorded in a register, which is held by a single officer within each Service.

BAD DEBTS

- E.21 The Section 151 Officer is responsible for producing and issuing guidance on bad debt. Executive Directors and Assistant Directors are responsible for ensuring their teams comply with this guidance and the Corporate Debt Policy and Procedures.
- E.22 All debts which are due to the Council will be subject to full recovery, collection and legal procedures as detailed in the Council Corporate Debt

Policy and Procedures. However, not all debts may be collectable and therefore it will be appropriate, in certain circumstances, to classify debts as irrecoverable or “bad debts”.

- E.23 Bad debts of up £10,000 may be written off by Authorised Officers as contained in the Scheme of Financial Delegation in consultation with the Section 151 Officer and the Monitoring Officer. Bad debts of £10,000 and over should be reported jointly by the Section 151 Officer and the relevant Assistant Director to the Audit and Governance Committee for write-off action.
- E.24 Any write off which arises as a result of theft or fraud must be notified to the Chief Internal Auditor immediately.
- E.25 Executive Directors and Assistant Directors are responsible for ensuring that an adequate provision for bad debt is made in the Council’s accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

GENERAL PRINCIPLES

- E.26 Executive Directors and Assistant Directors are responsible for providing all appropriate information and instructions to Transactional Services to allow for prompt and accurate payment for goods and services provided and for the analysis of expenditure.
- E.27 Except for purchases by purchase /credit /debit card, all purchases must be supported by an official requisition. All purchases must have regard to Contract and Financial Procedure Rules.
- E.28 All requisition and purchase orders must be authorised in accordance with the relevant service Scheme of Financial Delegation to ensure that funds are available to pay for the purchase.
- E.29 All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and a link to the standard terms and conditions for the goods and services to be provided.
- E.30 Executive Directors and Assistant Directors must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to transactional services.

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- E.31 Executive Directors and Assistant Directors must ensure robust processes to continually maintain computer records and accesses, and Schemes of Financial Delegation so that electronic workflows associated with core financial systems are not compromised.
- E.32 All procurement, commissioning, contract administration or contract management must be carried out in accordance with the Council's Contract Procedure Rules
- E.33 Executive Directors and Assistant Directors must consult the Section 151 Officer on appropriate arrangements for purchases of goods and services which cannot be accommodated within standard ordering and payment processes.

PAYMENT OF INVOICES

- E.34 All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment.
- E.35 All invoices, as a minimum, must include the official purchase order number, the description of the goods or services provided, the quantity delivered, the delivery address, the date of the invoices and/ or date of delivery of the goods or services, the address and VAT registration number of the supplier and the price and VAT at the prevailing rate.
- E.36 Invoices received without a valid purchase order number may be returned to the creditor as unauthorised for payment.
- E.37 The Council's standard payment terms are 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Section 151 Officer. Executive Directors and Assistant Directors are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.
- E.38 Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Section 151 Officer.
- E.39 All procurement, commissioning, contract administration or contract management activity must be carried out in accordance with the Council's Contract Procedure Rules and any advice or guidance that may be issued from time to time by the Section 151 Officer regarding the efficient and effective use of the Council's core financial and e-procurement systems and processes. Invoices received for payment must comply with the Council's best practice processes.

NON-INVOICE PAYMENTS

- E.40 Where Executive Directors and Assistant Directors wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted in a form approved by the Section 151 Officer.
- E.41 Any such requests must be authorised by an officer designated with an appropriate approval limit in the relevant service Scheme of Financial Delegation. They are responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to allow for the reclaim of any VAT element.
- E.42 Appropriately authorised requests for payment will be processed and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.
- E.43 Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on regular basis Executive Directors and Assistant Directors must consider, in conjunction with the Section 151 Officer, other alternative options which may be more appropriate.
- E.44 Payments or reimbursements in respect of salaries and wages travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

CREDIT CARDS, DEBIT CARDS AND PURCHASE CARDS

- E.45 The Section 151 Officer is responsible for:
 - a. providing credit cards, debit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff
 - b. prescribing procedures for the use of credit cards, debit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards
- E.46 Purchase Cards/Credit Cards/Debit Cards are an effective method of payment for goods and services of low value and for one off purchases. Executive Directors and Assistant Directors are responsible for the appropriate deployment, management and the security of purchase/credit/debit cards within their service in accordance with the Scheme of Financial Delegation.

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- E.47 Purchase Cards/Credit Cards/Debit Cards should only be used for legitimate Council business by the person who has been allocated the card and whose name the card is in.
- E.48 Adequate records must be maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT.

IMPREST ACCOUNTS

- E.49 The Section 151 Officer is responsible for providing, in agreed circumstances and where such need is proven to be essential, cash or bank imprest accounts to meet minor or other agreed expenditure. The Section 151 Officer is also responsible for defining procedures for operating these accounts.
- E.50 The Chief Executive, Executive Directors and Assistant Directors are responsible for the operation of approved cash and bank imprest accounts in accordance with procedures issued by the Section 151 Officer.
- E.51 Executive Directors and Assistant Directors are responsible for ensuring that where local arrangements are in place:
 - a. Schemes of Financial Delegation set out clearly the responsibilities and approval limits of individual officers in respect of these arrangements; and that these are reviewed and updated regularly
 - b. they are operated in accordance with guidance issued and that appropriate management supervision and compliance monitoring is undertaken
 - c. adequate records must be maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT
 - d. arrangements are being operated for legitimate Council business only
- E.52 Local arrangements may not be used in any circumstances to circumvent either the Council's Contract Procedure Rules or agreed approval and authorisation procedures, nor must they be used for any payments in respect of salaries and wages, travelling or other employment expenses, or payments for work carried out under the Construction Industry Tax Deduction Scheme.

PAYMENT TO MEMBERS

- E.53 The Section 151 Officer is responsible for paying all allowances to Members.
- E.54 The Section 151 Officer will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the approved scheme for allowances.

FINANCIAL ARRANGEMENTS IN AN EMERGENCY

- E.55 The Chief Executive, or his / her representative acting as Emergency Duty Co-ordinator must be able to incur expenditure immediately in order to carry out the role effectively and may rely on the provisions of Section 138 of the Local Government as amended by Section 156 of the Local Government and Housing Act 1989 (LGHA 1989). Section 155 of the LGHA 1989 provides for a scheme whereby local authorities may recoup from central government a proportion of agreed expenditure under 'Bellwin Rules'.
- E.56 The Section 151 Officer is responsible for:
- a. approving a form of record for all emergency expenditure.
 - b. reporting all expenditure to the Cabinet as soon as reasonably practicable.
 - c. issuing a single expenditure code for the emergency.
- E.57 Those who incur expenditure on the occasion of any Emergency or scaled up incident are responsible for:
- a. taking such steps as are reasonable, bearing in mind the local circumstances, to enable proper accounting for any disbursement to be achieved after the event.
 - b. taking such judgments as to what constitutes reasonable controls in light of the scale and the nature of the payments, their urgency and the physical conditions at the time.
 - c. ensuring caution is exercised where large scale cash disbursements to third parties are involved
 - d. attempting to obtain some documented acknowledgement of receipt.
 - e. attempting to utilize cashless methods wherever possible.
- E.58 Wherever possible/practicable, the Council's existing procurement framework contracts should be used.

TAXATION

E.59 It is the responsibility of the Section 151 Officer, in conjunction with Transactional HR, Payroll & Pensions Services to:

- a. complete all Inland Revenue returns regarding PAYE
- b. complete a monthly return of VAT inputs and outputs to HM Revenue and Customs
- c. provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme
- d. maintain up-to-date guidance for Council employees on taxation issues

E.60 It is the responsibility of Executive Directors and Assistant Directors to:

- a. ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- b. ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements
- c. ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency
- d. follow the guidance on taxation issued by the Section 151 Officer.

TRADING ACCOUNTS AND BUSINESS UNITS

E.61 As a general rule, separate trading accounts are required when services are provided to either internal or external clients, on a basis other than a straightforward recharge of full cost. It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts and business units.

E.62 It is the responsibility of Executive Directors and Assistant Directors to:

- a. consult with the Section 151 Officer and the Monitoring Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- b. observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure,

- including overhead costs, is charged, and to produce an annual report in support of the final accounts
- c. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units
 - d. ensure that each business unit prepares an annual business plan.

SECTION F - EXTERNAL ARRANGEMENTS

WHY THIS IS IMPORTANT

F.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

WHAT IS COVERED IN THIS SECTION

F.2 The following aspects of External Arrangements are covered in this section:

- Partnerships
- Bidding for Grant Funding
- Support to Other Organisations
- Sponsorship Arrangements

PARTNERSHIPS

F.3 Partnerships play a key role in delivering community strategies and contributing to the well-being of the area. They also provide new ways to share risks, access new resources and new and better ways of delivering services.

F.4 The Section 151 will provide guidance for Partnership Arrangements. This will outline officer and partner responsibilities and provides a checklist of all necessary requirements before entering into a partnership, during it and following its cessation.

F.5 Executive Directors and Assistant Directors are responsible for:

- a. Adhering to the guidance issued by the Section 151 Officer before embarking on any partnership agreement, ensuring a risk management appraisal is undertaken and obtaining the appropriate approvals
- b. Ensuring partnerships do not impact adversely on Council services
- c. Providing appropriate information for the statement of accounts
- d. Maintaining all contract document and any associated requirements of the Contract Procedure Rules
- e. Ensuring partners are aware of their obligations with regards to confidentiality, conflicts of interest, communication and financial and contractual responsibilities

- f. Ensuring that financial resources are used efficiently and effectively and that accounting arrangements are satisfactory and maintain the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council

BIDDING FOR GRANT FUNDING

F.6 In some circumstances there may be specific grant funds available, where these are aligned with the Council's priorities, accessed through some form of bidding process. The approval process for bidding for grant funding is as follows:

- a. All grant submissions should be approved by the Section 151 Officer and the relevant Assistant Director / Executive Director in advance
- b. The relevant Cabinet Member / Cabinet Member for Regulatory, Compliance and Corporate Services should be consulted and provide approval to proceed
- c. If a bid is successful, expenditure can only commence when formal approval for the Supplementary Revenue / Capital Estimate has been received.

F.7 Any new capital schemes must be approved in line with the requirement for Supplementary Capital Estimates. Officers must ensure that they understand and are aware of the grant conditions attaching to any funding and consider whether the Council's processes and procedures are sufficient to comply with these conditions or whether more detailed processes need to be followed.

SUPPORT TO OTHER ORGANISATIONS

F.8 The Cabinet Member for Regulatory Compliance and Corporate Resources will on a periodical basis, agree a policy setting down the approach to be taken to the allocation of grants, donations and other contributions to outside bodies, in consultation with the Section 151 Officer and The Chief Legal and Democratic Services Officer. The Policy would be presented for approval through Cabinet and Council.

F.9 Grants, donations and contributions will be paid by the Council in accordance with this policy, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

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| Approval level | Amount |
|----------------|---|
| Officers | Up to and including £50,000 (where grant is within approved grant policy) |
| Cabinet Member | Between £50,000 and £100,000 (where grant is within approved grant policy) |
| Cabinet | All Grants of £100,000 or more. All grants which do not fall within existing approved grant policy require Cabinet approval. |

- F.10 The Grant Funding Protocol sets out further guidance on grant funding, the process for allocation and any conditions that should apply to any grant funding.
- F.11 Executive Directors and Assistant Directors will report on the outcomes achieved through the provision of support to outside bodies on an annual basis to the appropriate Member Group and Cabinet Member, with interim reporting (quarterly reports being the minimum) where the sums involved are in excess of £100,000.

SPONSORSHIP ARRANGEMENTS

- F.12 Sponsorship arrangements must comply with the Council's Sponsorship Policy and Code of Conduct.
- F.13 All sponsorship arrangements will require a business case to be submitted to the Chief Executive and the Section 151 Officer for approval.
- F.14 The Assistant Director of Corporate Resources and Customer Services (Strategic Support) is responsible for maintaining a register which will include a list of approved sponsors.
- F.15 The following financial thresholds must be adhered to:

| Value | Level of Approval |
|--|---|
| Up to and including £10,000 | Executive Director Cc Assistant Director |
| In excess of £10,000 and up to and including £50,000 | Chief Executive Cc Executive Director and Assistant Director |
| Over £50,000 | Cabinet Cc Executive Director and Assistant Director |

F.16 Any sponsorship arrangement over £100k or materially affecting 2 or more wards will need including on the Forward Plan as a key decision.

ANNEXE

GLOSSARY OF TERMS / DEFINITIONS

Appropriation – Amounts transferred between the Revenue account and revenue or capital reserves.

Bad Debt – All debts which are due to the Council will be subject to full recovery, collection and legal procedures as outlined in the Council Corporate Debt Policy & Procedures. However, not all debts may be collectable and therefore it will be appropriate, in certain circumstances, to classify debts as irrecoverable or “bad debts”.

Balances (Revenue Account) – The accumulated surplus of income over expenditure. Members may agree that Balances be used to reduce future Council Tax precepts although a minimum level, consistent with prudence and best practice will be maintained. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested to generate interest income to the Council.

Block Provisions – Annual capital allocations made to cover minor schemes with starting values of less than £250,000.

Business Case Template – This is a pro forma to be completed for all Capital schemes and all significant Revenue proposals. It will provide details on the expected outcomes falling from the proposed investment and identify how the proposal will meet corporate objectives.

Capital Approval – The capital programme provision as amended by any supplementary estimates or virements.

Capital Expenditure – Expenditure on the purchase, construction or replacement of capital (fixed) assets or expenditure which adds to the life or value of an existing fixed asset.

Capital Programme – The Council’s plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, Highway Improvement schemes and design fees, and the acquisition of vehicles and major items of equipment.

Capital Project / Scheme – These terms mean the same thing and are used interchangeably within these Rules. A project/scheme may be separately identified in the capital programme or be an item within a block provision.

Capital Receipts – Income received from the sale of capital assets and available, subject to rules laid down by the Government, to finance new capital expenditure or to repay debt.

All **carry-forwards** (except for Schools) need the approval of the Cabinet upon the presentation of a business case. The Sefton Scheme for Financing Schools identifies the level of balances each maintained school can carry forward without prior permission from the Schools Forum.

Chief Officers – Chief Officers are the Chief Executive or any Assistant Director of the Council to whom there has been specific delegation in writing by the Council or the Chief Executive. Chief Officers must operate efficient systems of financial control.

Contingencies – Sums set aside to meet either:

the potential costs of activities expected to occur during the year over and above those costs included in Service budgets (pay and price contingency); or

items which are difficult to predict in terms of financial impact or timing (contingency for uncertain items).

Contract – An agreement to supply goods, services or works for a price. A contract is normally in writing however a contractual arrangement may, inadvertently be entered into orally.

Contractor – Any person or organisation awarded a Contract. This includes any consultant appointed by the Council to provide advice on any project.

Commissioning Team /Procurement – The central procurement unit is the department responsible for procurement activity within the Council.

Council Fund – The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure within the Consolidated Revenue Account. The level of balances held is based on the Council's assessment of the level of risk and uncertainty and the potential call on such reserves.

Debt Write-Off – Realising the cost of debt which is considered to be "bad" (unrecoverable) by writing it off against the revenue account or bad debt provision.

Earmarked Reserves – These reserves represent monies set aside that can only be used for a specific use or purpose.

Financial Year – The Council's accounting period covers the 12 months from April 1 to March 31.

Forward Plan – As defined in the Constitution.

Key Decision – As defined in the Constitution.

Leases – Agreements covering the hire/rental of equipment or buildings, generally for a specified period of time and at a specified rate.

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Option Appraisal/Business Case – This is required for all Capital schemes and all significant revenue proposals and takes the form of a Business Case Template. This will be used to assess whether the scheme is affordable and deliverable. Consequences to the Service are considered and evaluated and it will also provide a basis for monitoring and reporting progress. In the case of revenue proposals, it will also take into account the risk and impact on users.

Policy and Expenditure Planning – The Council's annual cycle of planning for the medium and short-term future, aimed at achieving optimal allocation of available resources.

Policy and Expenditure Proposals – Proposals, including new policies, which have resource implications and will be subject to appraisal by Members, Executive Leadership Team and consultees before inclusion in annual budget preparation.

Provision – An amount set aside by the Authority for any liabilities of uncertain amount or timing that have been incurred.

The main category is estimates of liabilities or losses already incurred but whose exact amount will be determined in the future (e.g. bad debts, obsolete stock). See also Capital Provision and Provision for Doubtful Debt.

Provision for Doubtful Debt – An allocation of funds set aside from Service revenue budgets to cover amounts which may not be recoverable from debtors.

Prudential Borrowing Limits – The maximum amount of borrowing that the Council can enter into at any one point in time during the year. This limit is set by Council prior to the start of the year to which it relates and cannot be breached under any circumstances.

Revenue Account – The Account which sets out the Council's income and expenditure for the year for non-capital spending.

Revenue Expenditure – Spending on the day-to-day running expenses of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Ring Fencing – Certain budgets agreed by the Section 151 Officer are "ring-fenced". This means that under-spends on these budgets will return to balances and overspends will be met centrally. This is to reflect the fact that certain items of expenditure are either demand-led or so significantly influenced by extraneous factors that they are beyond the direct control of managers. Ring-fenced budgets include planning levies, external audit fees and election expenses.

Schemes of Financial Delegation – Schemes of Financial Delegation are the documents that set out, for each Service, all authorisations and approval limits as delegated by the Executive Directors and Assistant Directors to Authorised Officers within their Service. Executive Directors and Assistant Directors are responsible for maintaining up to date and

accurate Schemes of Financial Delegation.

Section 106 Agreement - Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town & Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. This will set out a number of on-site and/or financial obligations that are necessary to make the proposal acceptable in planning terms.

Service Plan – A plan which outlines measurable Service aims for the year ahead, encompassing both core purpose and specific key objectives for any given year. The Plan will consider both inputs and outputs.

“Starts value” – Represents the full value of the Council’s contribution to a Capital Scheme irrespective of the timing of the payments.

Sponsorship is defined as - “An agreement between the Council and the sponsor, where the Council receives either money or a benefit in kind for an event, campaign or initiative from an organisation or individual which in turn gains publicity or other benefits”.

Supplementary Capital Estimate (SCE) – Additional resources approved by Members during the financial year with funds either provided by a third-party (e.g. developer contributions, receipts, government grant), by the use of Council reserves or from the Revenue budget.

Supplementary Revenue Estimate (SRE) – An approved increase to a Service revenue budget during the financial year, funded centrally from reserves, contingencies or external funding sources such as grants or partner contributions.

Third Party Fund(s) – Funds provided by outside bodies or individuals in support of Council activities, establishments or clients. Can sometimes be known as trust funds.

Underspend – An underspend results when the net costs of a budget holder are lower than the net budget for the year.

Virement – A Revenue virement is a transfer of amounts from one budget heading to another within, or between, Executive Directors / Assistant Directors. Capital virements cover any changes to Capital budgets funded from within the existing Capital programme.

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Agenda Item 9

| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Treasury Management Position to September 2022 | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | All Wards |
| Portfolio: | Cabinet Member - Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

This report provides Members with a review of the Treasury Management activities undertaken to 30th September 2022. This document is the mid-year report to Cabinet and Council, as well as the second report of the ongoing quarterly monitoring provided to Audit & Governance Committee 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 30th September 2022, 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 30th September 2022 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 surplus to the end of the period. The forecast to the end of the financial year also shows that investment income will exceed the level set in the budget.

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(B) Capital Costs

None.

Implications of the Proposals:

| | | | | | | | | | |
|--|---|------------------------|---|-----------------------|---|------------------------|---|---|---|
| <p>Resource Implications (Financial, IT, Staffing and Assets): A surplus in investment income has been forecast for 2022/23 financial year due to prevailing market conditions.</p> | | | | | | | | | |
| <p>Legal Implications: The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities.</p> | | | | | | | | | |
| <p>Equality Implications: There are no equality implications.</p> | | | | | | | | | |
| <p>Climate Emergency Implications:</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 2022/23, 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 (FD 7018/22) is the author of the report.

The Chief Legal and Democratic Officer (LD5218/22) 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.

| | |
|-------------------------|-----------------------------|
| Contact Officer: | 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.

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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 2022/23 (approved by Council on 3rd March 2022) 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 30th September 2022.
- 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

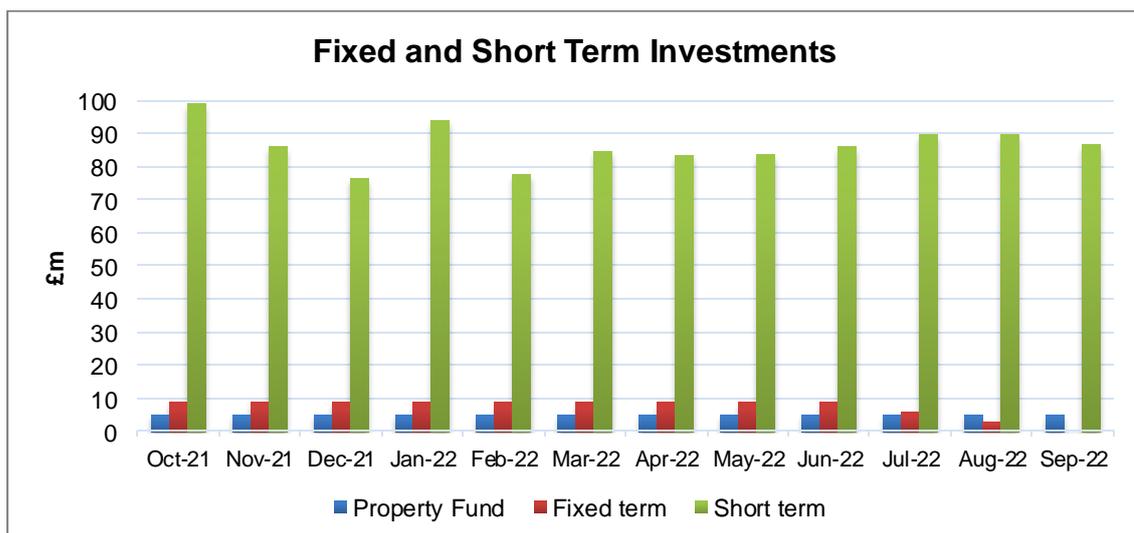
- 2.1. Investments held at the 30/09/2022 comprise the following:

| Institution | Deposit £m | Rate % | Maturity | Rating |
|----------------------------|---------------|-----------|----------|--------|
| Money Market Funds: | | | | |
| Aberdeen | 8.66 | 2.09 | 01.10.22 | AAA |
| Aviva | 8.66 | 1.94 | 01.10.22 | AAA |
| Blackrock | 8.66 | 1.94 | 01.10.22 | AAA |
| BNP Paribas | 9.19 | 2.20 | 01.10.22 | AAA |
| Goldman-Sachs | 8.66 | 1.97 | 01.10.22 | AAA |
| HSBC | 8.66 | 2.05 | 01.10.22 | AAA |
| Invesco | 8.20 | 2.12 | 01.10.22 | AAA |
| Morgan Stanley | 8.89 | 2.12 | 01.10.22 | AAA |
| Federated | 8.66 | 2.08 | 01.10.22 | AAA |
| Insight | 8.66 | 2.03 | 01.10.22 | AAA |
| Total | 86.90 | | | |
| Property Fund: | | | | |
| CCLA | 5.00 | 3.40 | n/a | n/a |
| Total | 5.00 | | | |
| TOTAL INVESTMENTS | 91.90 | | | |

- 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

2022/23. 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 2022 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 3%. 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 2022 from 318.20p per unit to 347.79p per unit, an increase of 9.3%. The income yield on the Property fund at the end of September 2022 was 3.40% which, although lower than returns received in the past, still represents a reasonable return on the Council's investment.
- 2.7. The ratio of overnight deposits (short term) to fixed term investments and the property fund is shown below:



3. Interest Earned

3.1. The actual performance of investments against the profiled budget to the end of September 2022 and the forecast performance of investments against total budget at year end is shown below:

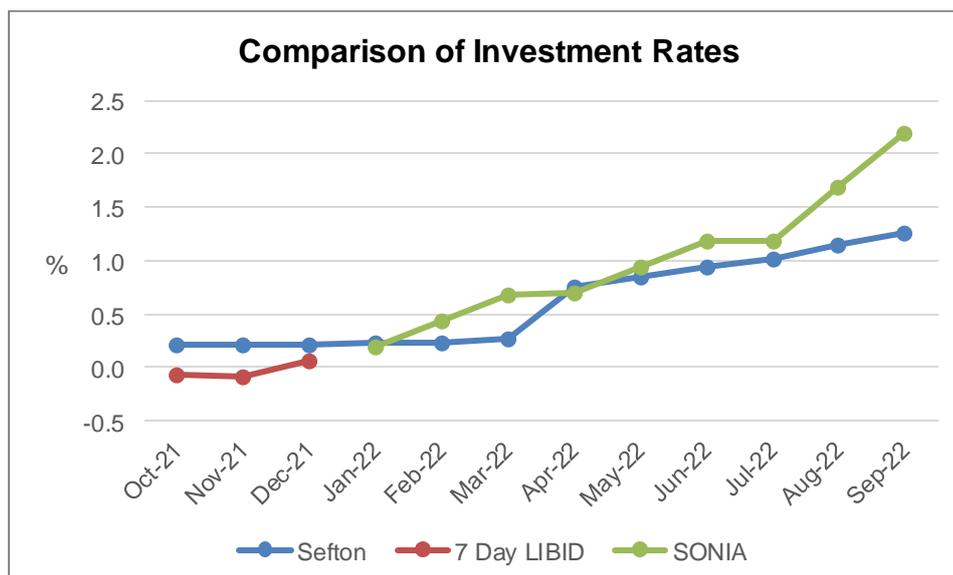
| | Budget £m | Actual £m | Variance £m |
|---------------------|--------------|--------------|----------------|
| September-22 | 0.345 | 0.587 | 0.242 |

| | Budget £m | Forecast £m | Variance £m |
|------------------------|--------------|----------------|----------------|
| Outturn 2022/23 | 0.789 | 1.173 | 0.384 |

3.2. The forecast outturn for investment income shows the level of income to be above target against the budget for 2022/23. Investment rates have increased significantly in the first half of 2022 (see 3.4. below) largely in response to rises in interest rates. The forecast income for 2022/23 has therefore been set at a higher level when compared to previous financial years.

3.3. As mentioned in paragraph 2.9, it is not envisaged that increased rates will lead to a significant improvement in the forecast income from investments for the remainder of 2022/23 as cash balances are diminishing and held in short term deposits. Interest rate uncertainty has also made future returns difficult to forecast and a prudent approach has therefore been taken when forecasting returns for the rest of the year.

3.4. The Council has achieved an average rate of return on its investments of 1.27%. The chart below shows the average rate of return plotted against the 7-day LIBID and SONIA benchmarks.



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- 3.5. On 5th March 2021 the Financial Conduct Authority announced the cessation of the LIBOR benchmark from the start of 2022. This deadline has now passed and as a result some LIBOR benchmarks such as the 7-day LIBID have been discontinued. LIBOR has primarily been replaced by the Sterling Overnight Index Average (SONIA) benchmark as the new widespread reference rate.
- 3.6. On the advice of its treasury management advisors, Sefton has adopted the SONIA rate as a replacement for the 7-day LIBID when benchmarking its investment performance from January 2022 onwards. As can be seen from the chart above, Sefton's investments have underperformed (by 0.92%) compared to SONIA to the end of September 2022, although the investment income received is above target as per the 2022/23 budget as shown in paragraph 3.1 (above).

4. Borrowing Strategy

- 4.1. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 4.2. Over the April-September period short term Public Works Loans Board (PWLB) rates rose dramatically, particular in late September after the Chancellor's 'mini-budget', included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies. Exceptional volatility threatened financial stability, requiring Bank of England intervention in the gilt market. Over a twenty-four-hour period some PWLB rates increased to 6%, before the intervention had the desired effect, bringing rates back down by over 1% for certain maturities.
- 4.3. Interest rates rose by over 2% during the period in both the long and short term. As an indication the PWLB 5-year maturity certainty rate rose from 2.30% on 1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%. Further commentary on interest rates is provided in paragraph 5 (below).
- 4.4. The Council has a significant PWLB loan maturity of £17.9m due in March 2023 comprising several historic loans. The Council pursues a strategy of internal borrowing as per the Treasury Management Strategy approved by Council in March 2022. Cash balances will therefore be reduced to replace maturing loans where possible and when interest rates on deposits remain lower than PWLB borrowing rates.
- 4.5. Following consultation with the Council's treasury advisers, it is considered prudent to continue to pursue the above strategy in view of recent interest rate uncertainty. The borrowing position will be kept under review however and further advice sought should the need arise to take out external borrowing from the PWLB.

5. Interest Rate Forecast

5.1. Arlingclose, the Council's treasury advisors, have provide the following interest rate view:

| | Current | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|---------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 |
| Arlingclose Central Case | 3.00 | 3.50 | 4.00 | 4.25 | 4.25 | 4.25 | 4.25 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 |
| Downside risk | 0.00 | 0.25 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.
- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.
- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.
- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

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- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

6. Compliance with Treasury and Prudential Limits

- 6.1. During the first half of 2022/23 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.
- 6.2. The key treasury indicators compared to the actuals as at 30th September 2022 are shown below:

| External Debt: | 2022/23 £m |
|---|-----------------------|
| Authorised limit for external debt | 220.000 |
| Operational boundary for external debt | 205.000 |
| Actual external debt 30.09.22 | 166.600 |

| Maturity structure of fixed rate borrowing: | Upper Limit % | Lower Limit % | Actual % |
|--|------------------------------|------------------------------|---------------------|
| Under 12 months | 35 | 0 | 21 |
| 12 months to 24 months | 40 | 0 | 3 |
| 24 months to 5 years | 50 | 0 | 10 |
| 5 years to 10 years | 50 | 0 | 15 |
| 10 years to 15 years | 75 | 0 | 12 |
| 15 years + | 90 | 25 | 39 |

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| Upper limit for principal sums invested for longer than 365 days: | Limit £m | Actual £m |
|--|-------------|--------------|
| Principal sums invested | 15 | 5 |

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Sefton Council Anti-Money Laundering Policy Update | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The report provides Members with an update on the Council's Anti-Money Laundering Policy.

Recommendation(s):

That Members note the update on the Council's Anti-Money Laundering Policy

Reasons for the Recommendation(s):

Guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicates that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

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

Not having a policy would leave Officers at risk from the Proceeds of Crime Act 2002 and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

What will it cost and how will it be financed?

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(A) Revenue Costs

None.

(B) Capital Costs

None.

Implications of the Proposals:

| | |
|---|---|
| Resource Implications (Financial, IT, Staffing and Assets): There may be some staffing time required for training. | |
| Legal Implications: The Council must implement the policy to ensure that any suspected cases of money laundering are reported to the National Crime Agency. | |
| Equality Implications: There are no equality implications | |
| 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 | 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 :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.7019/22) and the Chief Legal and Democratic Officer (LD.5219/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

| | |
|-------------------------|-------------------------------|
| Contact Officer: | Tom Walmsley |
| Telephone Number: | 01519344042 |
| Email Address: | thomas.walmsley@sefton.gov.uk |

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

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1. Background to the Report

Money Laundering is the process by which criminally obtained money or property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The term is used for several offences involving the integration of “dirty money” (i.e. the proceeds of crime) into the mainstream economy. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange. Guidance from the Chartered Institute of Public Finance and Accountancy (“CIPFA”) indicates that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and The Money Laundering and Terrorist Financing (Amendment)(No.2) Regulations 2022.

The Sefton Council Anti-Money Laundering policy was approved by Audit & governance Committee on 16 December 2020.

2. Update

It can be reported that no contraventions of the Anti-Money Laundering policy have occurred since the approval of the report.

The fundamentals of performing risk assessments and due diligence as required by The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017 remain undisturbed since the policy was approved on 16 December 2020, therefore there are no changes to the policy as previously approved. The policy is attached for reference. If there is any change to the guidance available to the council or similarly if the council becomes aware of improvements that could be made to the policy or the current arrangements in place via a review of best practice this policy and guidance will be updated and reported back to the committee at the earliest opportunity

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 16 December 2020 |
| Subject: | Sefton Council Anti-Money Laundering Policy | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The report provides Members with the Council's Anti-Money Laundering Policy.

Recommendation(s):

That the Anti-Money Laundering Policy be approved.

Reasons for the Recommendation(s):

Guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicates that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and Money Laundering Regulations 2017.

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

Not having a policy would leave Officers at risk from the Proceeds of Crime Act 2002 and Money Laundering Regulations 2017.

What will it cost and how will it be financed?

(A) Revenue Costs

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None.

(B) Capital Costs

None.

Implications of the Proposals:

| |
|---|
| Resource Implications (Financial, IT, Staffing and Assets): There may be some staffing time required for training purposes. |
| Legal Implications: The Council must implement the policy to ensure that any suspected cases of money laundering are reported to the National Crime Agency. |
| Equality Implications: There are no equality implications. |

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: 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/FD6220/20) is the author of the report.

The Chief Legal and Democratic Officer (LD/4412/20) has 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.

| | |
|-------------------------|-------------------------------|
| Contact Officer: | Tom Walmsley |
| Telephone Number: | 0151 934 4042 |
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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

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1 Introduction/Background

Money Laundering is the process by which criminally obtained money or property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The term is used for several offences involving the integration of “dirty money” (i.e. the proceeds of crime) into the mainstream economy. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange.

Guidance from the Chartered Institute of Public Finance and Accountancy (“CIPFA”) indicates that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and Money Laundering Regulations 2017.

The anti-money laundering policy is at appendix A

APPENDIX A

Anti-Money Laundering Policy

1. Introduction/Background

1.1 Sefton Council is committed to establishing and maintaining effective arrangements to prevent and detect attempts to launder money through the council. All Members and employees are required to demonstrate the highest standards of honesty and integrity, including compliance with appropriate legislation.

The council is committed to working constructively with the Police and other relevant agencies in relation to combating money laundering. The council will seek to ensure that employees and Members have access to the appropriate guidance. Failure to comply with the procedures set out in this document may constitute a disciplinary and/or criminal offence.

1.2 Scope

This Policy applies to all Members and employees of the council, including temporary or agency staff as well as those employed in community schools, voluntary controlled schools and maintained nursery schools. It aims to uphold the high standards of conduct, which currently exist within the council, by preventing criminal activity. The Policy sets out the procedures which must be followed to enable the council and staff to comply with their obligations.

This Policy sits alongside the council's Anti-Fraud, Bribery and Corruption Policy.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and Money Laundering Regulations 2017. Any disciplinary action will be dealt with in accordance with the council's Disciplinary Policy.

1.3 What is Money Laundering?

Money laundering is the process where criminals attempt to change the identity of the proceeds of their crime so that they appear legitimate. The various stages are termed placement, layering and integration:

- **Placement** – “dirty money” is placed directly into the financial system
- **Layering** – the proceeds are moved through a series of financial transactions, making it harder to establish their origin
- **Integration** – the money launderer creates a legitimate explanation for the source of the funds allowing them to be retained, invested into the legitimate economy or to acquire assets.

An example in a council setting is where illicit cash is used (placed) to pay for the annual non-domestic rates on commercial premises (possibly also by means of a large overpayment), and then within a very short time the property is vacated (layering). A refund is made to the individual from the council, 'integrating' the source of the money.

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The primary offences of money laundering are:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act);
- Entering into or becoming concerned in an arrangement which you know, or suspect, facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);
- Acquiring, using or possessing criminal property (section 329);
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000).

There are also two secondary offences: failure to disclose any of the primary offences and tipping off. Tipping off is where someone informs any individual(s) who are, or are suspected of, being involved in money laundering, in such a way as to reduce the likelihood of their being investigated.

Potentially any Member, employee, partner or external bodies working on behalf of the council could be captured by the money laundering provisions if they suspect money laundering and become involved with it in some way or they are aware of it and fail to report it, whether they are involved or not.

Further details are provided in Appendix B: Offences Table, and Appendix C: Possible Activities Affected by Money Laundering.

1.4 Council's Obligations

There are specific obligations for those carrying out "relevant business". This term relates to any of the following activities carried out in the course of business: credit institutions; financial services; tax advice; audit services; legal services; trust or company service providers; estate agency; and dealing in goods wherever a transaction or several linked transactions involve a cash payment that is equal to or more than €15,000 (c. £12,000). Whilst local authorities are not separately identified in the list of 'relevant business', there are some local authority activities that could be included within the scope of the regulations.

Organisations conducting relevant business must:

- appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else's);
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

The safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the council. Therefore, all staff are required to comply with the reporting procedure set out below.

1.5 The Money Laundering Reporting Officer (MLRO)

If an individual becomes aware that their involvement in a matter may amount to money laundering then they must report it to the Money Laundering Reporting Officer (MLRO)

and not take any further action until they have received consent from the MLRO, who may have to be granted such consent by the National Crime Agency.

The Section 151 Officer is the Money Laundering Reporting Officer (MLRO) as designated by Sefton Council:

Address: Magdalen House, 30 Trinity Road, Bootle

Telephone Number: 0151 934 4081

Email: Stephan.VanArendsen@sefton.gov.uk

In the absence of the MLRO or in instances where it is suspected that the MLRO is involved in suspicious transactions, concerns should be raised with the Chief Internal Auditor:

Address: Magdalen House, 30 Trinity Road, Bootle

Telephone Number: 0151 934 4053

Email: David.Eden@sefton.gov.uk

The MLRO will be responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering committed within the accounts of the council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post. Simultaneously, the Cabinet Member for Regulatory Compliance and Corporate Services will be kept informed of any notifications to NCA and of any issues arising from them.

1.6 Reporting a Concern to the MLRO

Any employee who suspects that money laundering activity is taking place, or who becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, must disclose this promptly to the MLRO (see Appendix E: Disclosure Form). This disclosure should be within 'hours' of the information coming to light. If there is any doubt as to whether or not to file a report, the employee must err on the side of caution and do so.

The employee must follow any subsequent directions from the MLRO or deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without the necessary authorisation from the MLRO or deputy.

The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.

Line managers may be consulted before a report is submitted. In this case, both the employee and the line manager must disclose a report to the MLRO individually as it is not a defence for the employee to presume that a report to the MLRO has been made on their behalf. If the line manager is not informed prior the making the report, the employee must not thereafter discuss any aspect of the matter with the line manager without any prior approval from the MLRO.

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All employees and Members are required to cooperate with the MLRO and the authorities during any money laundering investigation.

Further details for reporting a suspicious transaction is set out in Appendix D: Suspicious Transaction Procedure Flow Chart.

1.7 Consideration of Disclosure Report by MLRO

Once a disclosure report has been received, the MLRO should note the date and acknowledge receipt. The employee should be advised on the timescale within which there will be a response.

The MLRO will consider the report and any other relevant internal information that is relevant, for example:

- other transaction patterns and volumes;
- the length of any business relationship that is involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held.

The MLRO should undertake any other reasonable enquiries that are appropriate to ensure that all information is taken into account in deciding whether a report to the NCA is required.

Upon evaluation of the disclosure report and any other relevant information, the MLRO must make a timely decision as to whether:

- there is actual or suspected money laundering taking place;
- there are reasonable grounds to know or suspect that is the case;
- consent from the NCA is required for a particular transaction to proceed.

Where the MLRO determines that a report should be submitted to the NCA, they must disclose the matter as soon as practicable on their standard report form (accessible on the NCA website) and in the prescribed matter, unless there is a reasonable excuse for a non-disclosure.

The MLRO may commit an offence under section 331 of the Act if, through a disclosure being made, they know or suspect that another person is involved in money laundering and this is not disclosed to the NCA as soon as practicable.

Where the MLRO determines that no money laundering is taking place, or suspects money laundering but has a reasonable excuse for non-disclosure, they must note the report accordingly and then give consent for any ongoing transactions to proceed. Where consent is required from the NCA for a transaction to proceed, the transaction(s) must not be undertaken or completed until the NCA has specifically provided consent, or the expiration of the relevant time limits deems consent without objection from the NCA.

1.8 Customer Due Diligence

Where Sefton Council is carrying out activities that may be classified as 'relevant business', extra care needs to be taken to check the identity of the customer – this is

known as customer due diligence, covered in Section 7 of the Money Laundering Regulations 2007.

The requirement for customer due diligence applies when one or both of the following questions are correct:

1. Is the service a relevant business?
2. Does the activity involve a cash payment or a series of cash payments of at least £1,000?

Customer due diligence must be carried out before any business is undertaken for that customer, unless the service is being provided to a UK public authority. Ongoing customer due diligence must also be carried out, particularly when money launderer is suspected, or if doubts arise about previously obtained identification information.

Due diligence essentially means identifying the customer and verifying their identity based on documents, data or information obtained from reliable sources and depending upon the intended nature and purpose of the business relationship. The legislation recognises that not all customers present the same risk and allows organisations to vary customer due diligence and monitoring according to the risk of money laundering.

HM Revenues and Customs have issued 'core guidance' for undertaking customer due diligence checks. Consideration should be given to taking one or more of the following, where applicable:

- Confirming the identity of the client via documentation, data or information obtained from a reliable and independent source, e.g. passport.
- Obtaining confirmation from Companies House as to the registration details of the Company and details of the Company business.
- Seeking electronic verification, e.g. credit checks.
- Obtaining confirmation to regulated industries bodies.
- Requesting copies of financial statements.
- Obtaining information on the intended nature and purpose of the business relationship.

1.9 Enhanced Customer Due Diligence

Enhanced customer due diligence must be carried out where, for example, the customer has not been physically present for identification, is a politically exposed person or where there is a beneficial owner who is not the customer (i.e. an individual who holds more than 25% of shares/voting rights/interest in a company).

Enhanced due diligence could include any additional documentation, data or information that will confirm the customer's identity and/or the course of the funds to be used in the business relationship/transaction. If enhanced customer due diligence is required, then the MLRO must be consulted prior to it being carried out.

1.10 Guidance and Training

In support of the Policy and Procedure, the council will:

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- Make all Members, employees, partners, external bodies working on behalf of the council aware of the requirements and obligations placed on the council and on themselves as individuals by the anti-money laundering legislation; and
- Give targeted training to those most likely to encounter money laundering.

The training plan is contained in Appendix F.

1.11 Monitoring and Review of Compliance

It is essential that all Members, employees, partners and external bodies working on behalf of the council are aware of the potential for criminal activity and terrorist financing activity to be concealed through Money Laundering. It is the responsibility of all Executive Directors and Heads of Service to undertake regular monitoring and review of their department's compliance with the Anti-Money Laundering Policy and Procedures, and to ensure that the procedure to be adopted is communicated to all Members, employees, partners, and external bodies working on behalf of the council.

1.12 Review of Policy

This policy will be reviewed on an annual basis to ensure that it complies with best practice, any relevant legislation and any internal changes.

Appendix B

Proceeds of Crime Act – Table of Offences

| Section Reference | Type of Offence | Definition | Punishment if Convicted |
|-------------------|---|--|--|
| S327 | Money Laundering Offence: Concealing Criminal Property | Concealing, disguising, converting or transferring criminal property, or removing criminal property from England and Wales. | Maximum sentence of 14 years imprisonment, or a fine, or both. |
| S328 | Money Laundering Offence: Arrangements | Being actively involved in some arrangement which helps someone else get, keep, use or control the proceeds of a crime. | As under S327 |
| S329 | Money Laundering Offence: Acquisition, Use and Possession | Using or possessing criminal property having the knowledge or suspicion that the property represents the proceeds of a crime. | As under S327 |
| S330 | Failure to Disclose Offence: Regulated Sector | An employee of a business in the regulated sector having the knowledge or suspicion of another person’s involvement in money laundering, and not making a report through the appropriate channels. The employee will be tried upon what they should have known given their experience, knowledge and training. | Maximum sentence of 5 years imprisonment and/or a fine. |

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| | | | |
|------|---|--|--|
| S331 | <p>Failure to Disclose Offence: Nominated Officers in the Regulated Sector</p> | <p>A nominated officer (MLRO) of a business in the regulated sector having the knowledge or suspicion of another person's involvement in money laundering, and not making a report through the appropriate channels without an acceptable excuse under the legislation. The nominated officer will be tried upon what they should have known given their experience, knowledge and training.</p> | As under S330 |
| S332 | <p>Failure to Disclose Offence: Other Nominated Officers</p> | <p>A nominated officer (MLRO) of a business outside of the regulated sector having the knowledge or suspicion of another person's involvement in money laundering and not making a report through the appropriate channels without an acceptable excuse under the legislation. The nominated officer will be tried upon what they knew or suspected, and not on what they might have been expected to know or suspect.</p> | As under S330 |
| S333 | <p>Tipping Off Offence</p> | <p>An officer or Member making a disclosure which is likely to prejudice an investigation being</p> | <p>Maximum sentence of 5 years imprisonment, or a fine, or both.</p> |

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| | | | |
|--|--|--|--|
| | | carried out by a law enforcing authority, knowing that such an investigation is in motion. | |
|--|--|--|--|

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Appendix C

Possible Activities within the Council that may be Affected by Money Laundering

| Activity | Types of Activity that may be Affected |
|---|---|
| New customers with high value transactions | <ul style="list-style-type: none">• Renting out property to individuals or businesses• Entering into other lease agreements• Undertaking services for other organisations |
| Secretive clients | <ul style="list-style-type: none">• Housing benefits claimants with sums of money entering into/out of their bank account• People buying or renting property who may not say what it is for• People receiving grant funding who refuse to demonstrate what the funding was used for |
| Customers who are potentially acting dishonestly or illegally | <ul style="list-style-type: none">• People paying for council services who do not provide details about themselves• People making unusual requests for payment arrangements |
| Illogical transactions | <ul style="list-style-type: none">• People paying in cash and then requesting refunds• Requests for the council to pay seemingly unconnected third parties in respect of goods/services provided• Requests for the council to pay in foreign currencies for no apparent reasons |
| Payments of substantial sums by cash | <ul style="list-style-type: none">• Large debt arrears paid in cash• Refunding overpayments• Deposits/payments for property |
| Movement of funds overseas | <ul style="list-style-type: none">• Requests to pay money overseas, potentially for 'tax purposes' |
| Cancellation of earlier transactions | <ul style="list-style-type: none">• No payment demanded even though good/service has been provided• Sudden and unexpected termination of lease agreements |

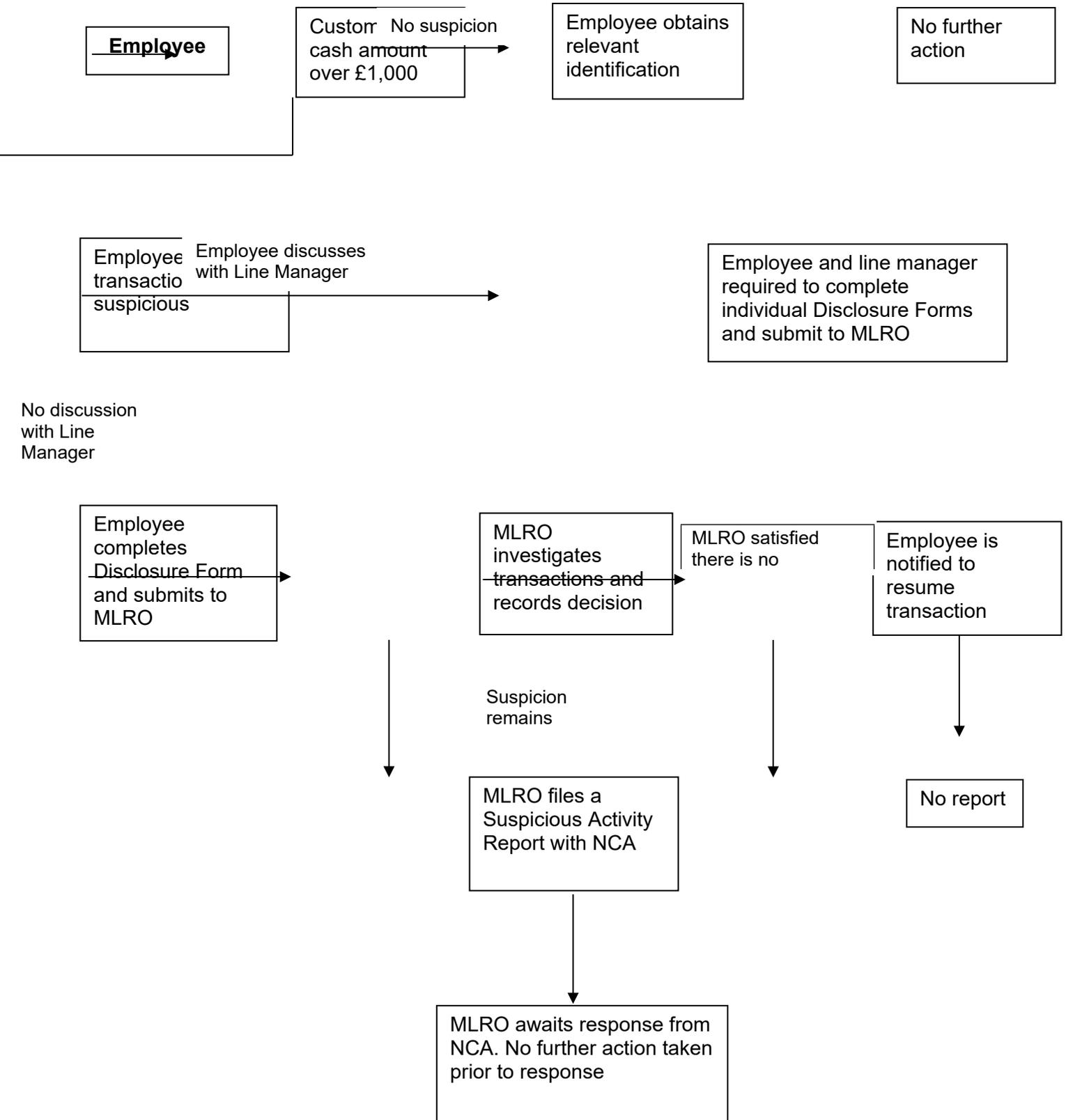
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| | |
|---|--|
| Requests for client account details outside normal course of business | <ul style="list-style-type: none">• Queries from other companies regarding legitimacy of customers• council receiving correspondence or information on behalf of other companies |
| Poor accounting records and internal financial control | <ul style="list-style-type: none">• Companies tendering for contracts unable to provide proper financial information or the information provided raises concerns• Tender for a contract which is suspiciously low |
| Unusual property investments or transactions | <ul style="list-style-type: none">• Requests to purchase council assets/land with no apparent purpose• Requests to rent council property with no apparent business motive |
| Overcomplicated legal arrangements/multiple solicitors | <ul style="list-style-type: none">• Property transactions where the council is dealing with several different parties |

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Appendix D

Suspicious Transaction Reporting Flow Chart



Appendix E:

Money Laundering Disclosure Form

CONFIDENTIAL

| Report to Money Laundering Reporting Officer | |
|---|--|
| Name | |
| Post/Service/Division | |
| Phone Number | |
| Email | |
| Details of Suspected Offence | |
| Names and addresses of the persons involved (if a company/public body, include the nature of their business if known) | |
| Nature, value, timing of activity (include full details e.g. whether this has already occurred or is likely to occur, when/where this occurred, how it arose, value of money/assets involved etc. Provide any evidence available) | |
| Nature of suspicions regarding such activity | |
| Has any investigation been undertaken to the best of your knowledge? (If yes, include full details) | |

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| | |
|--|--|
| <p>Have you discussed your suspicions with any other person(s)? (If yes, explain who and why such discussion was necessary)</p> | |
| <p>Details of any other relevant information</p> | |

Signed: _____

Dated: _____

IMPORTANT: Do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity either directly or indirectly with anyone else who could alert the suspect(s) that they are under investigation. If you do, this may be considered as a 'tipping off' offence under the legislation.

| For Completion by the MLRO | |
|--|--|
| <p>Date received</p> | |
| <p>Are there reasonable grounds for suspecting money laundering activity?</p> | |
| <p>If yes, will a report be made to the NCA? (If yes, confirm date of report to the NCA)</p> | |
| <p>Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? (If yes, provide full details)</p> | |
| <p>Date consent received from the NCA</p> | |
| <p>Date consent given by you to employee</p> | |
| <p>If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, provide reason(s) for non-disclosure</p> | |

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| | |
|---|--|
| Date consent given by you to employee for any prohibited act transactions to proceed | |
| Details of any other relevant information | |

Signed: _____

Dated: _____

THIS REPORT IS TO BE RETAINED SECURELY FOR AT LEAST FIVE YEARS

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Appendix F: Training Plan

Officers training

Officers working in the following areas are those that will be impacted by the policy:

Customer Contact Centre
Leisure centres
Libraries
Parking
Registrars
Cemeteries and Crematoria
Golf Courses
The Atkinson

The Customer Centric Service Manager will be responsible for disseminating this policy and the steps to be followed in Appendix D to all relevant staff within the Customer Contact Centre. The Service Manager Treasury and Capital will take responsibility for the remaining areas. This will be carried out when the policy is approved.

For those requiring specific training HM Revenue & Customs have a number of webinars and courses available which give guidance on money laundering supervision. These can be accessed through the

<https://www.gov.uk/guidance/help-and-support-for-anti-money-laundering>

These for example include webinars for all businesses on how to how to make suspicious activity reports to the National Crime Agency, what happens to those reports, and how to improve the quality of those reports.

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Review of Whistleblowing Complaints 2021 - 2022 | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The report summarises all complaints received by the Council via its whistleblowing policy in the municipal year 2021 to 2022.

Recommendation(s):

(1) That the report be noted.

Reasons for the Recommendation:

To appraise the Committee of all complaints received by the Council via its whistleblowing policy in the municipal year 2021 to 2022 in accordance with the terms of reference of the committee and the terms of the policy.

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

None

What will it cost and how will it be financed?

(A) Revenue Costs None

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(B) Capital Costs None

Implications of the Proposals:

| | |
|--|---|
| Resource Implications (Financial, IT, Staffing and Assets): | |
| Legal Implications: Employment Relations Act 1996 Public Interest Disclosure Act 1998 | |
| Equality Implications: There are no equality implications | |
| 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 |

Contribution to the Council's Core Purpose:

| |
|--|
| Protect the most vulnerable: |
| Facilitate confident and resilient communities: |
| Commission, broker and provide core services: |
| Place – leadership and influencer: Whistleblowing is important to safeguard the effective delivery of public services, and to ensure value for money. It serves to protect and reassure the workforce, and to maintain a healthy working culture and an efficient organisation. |
| Drivers of change and reform: |
| Facilitate sustainable economic prosperity: |
| Greater income for social investment: |

| |
|-----------------|
| Cleaner Greener |
|-----------------|

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 7051/22) and the Chief Legal and Democratic Officer (LD 5251/22) 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.

| | |
|-------------------------|--------------------------------|
| Contact Officer: | David McCullough |
| Telephone Number: | Tel: 0151 934 2008 |
| Email Address: | david.mccullough@sefton.gov.uk |

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 Whistleblowing has been defined as the act of an employee or worker making a qualifying disclosure, in the public interest, to an employer, regulator, legal adviser, minister, MP or other responsible or prescribed person about a criminal offence, breach of a legal obligation, miscarriage of justice, danger to health and safety, damage to the environment or deliberate concealment of any of those.
- 1.2 In these circumstances and subject to fulfilling certain criteria, it will be a 'protected disclosure' and the whistleblower will be protected from being dismissed or subjected to a detriment on grounds of that disclosure.

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1.3 The principal objectives of a whistleblowing policy and procedure should be to:

- Convey the seriousness and importance that the employer attaches to identifying and remedying wrongdoing.
- Encourage workers to raise concerns internally as soon as possible and to give them the confidence to do so.
- Remind workers (often by cross-referring to other policies and codes of conduct) of the standards of behaviour expected of them.
- Ensure workers know whom to approach with a concern, and to enable them to bypass the person, management level or part of the organisation to which the concern relates.
- Outline the procedures for investigating disclosures and what steps might be taken if wrongdoing is uncovered.
- Make it clear what will happen to those who victimise genuine whistleblowers or abuse the system by making malicious allegations.
- Provide access to further sources of advice and guidance on whistleblowing.

1.4 The Council is committed to running the organisation in the best way and to facilitate this the Whistleblowing Policy was introduced to reassure staff that it is safe and acceptable to speak up and raise any concern about malpractice at an early stage and in the right way. The Government expects all public bodies to have written policies.

1.5 The Council's current Whistleblowing Policy was approved by Audit and Governance Committee at its meeting on 19th June 2019.

1.6 The Policy can be found on the Council's intranet and internet pages: Whistleblowing policy (sefton.gov.uk)

1.7 All employee policies and procedures should be easy to understand and operate. In general, whistleblowing policies should not be legalistic in their approach. A key measure of success will be whether the policy gives workers the confidence to come forward with their concerns. They are unlikely to do this if the policy is complex or unclear, or littered with legal jargon.

1.8 The concept of a qualifying disclosure in section 43B of Employment Relations Act 1996 requires the worker to have a reasonable belief that one of six specified situations has occurred, is occurring or is likely to occur.

- that a criminal offence has been committed, is being committed or is likely to be committed;
- that a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject;
- that a miscarriage of justice has occurred, is occurring or is likely to occur;
- that the health or safety of any individual has been, is being or is likely to be endangered;
- that the environment has been, is being or is likely to be damaged; or that information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be, deliberately concealed."

- 1.9 One question for employers drafting a whistleblowing policy is whether to try to limit the coverage of the policy to the types of disclosure covered by the statutory regime. There is a strong argument that whistleblowing policies should cover more than just the matters potentially covered by a protected disclosure under ERA 1996. The statutory framework should ideally be seen as a backstop, not a replacement for a culture where all forms of inappropriate behaviour may be challenged.
- 1.10 Employers will likely also want to know about issues which do not strictly fall within the legal concept of a qualifying disclosure, particularly conduct which is "merely" unethical or a breach of professional conduct rules or internal procedures that do not have legal force. The policy may also encourage staff to raise issues or ask questions where they are unsure if their concern technically qualifies as whistleblowing, since this will help instil confidence in the procedure and its operation.

2 Referrals

- 2.1 Seven referrals were received in a municipal year 2020 to 2021 and seven referrals were received in the municipal year 2021 to 2022 and a summary of the seven referrals is outlined below.

3 Referral 1

- 3.1 The Council's Monitoring office received a telephone call and subsequent email from a man and wife about the operation of a 'Friends of' group in relation to a local park and the interaction with Green Sefton. It appears that the relationships between the volunteers had become acrimonious.
- 3.2 The Monitoring officer liaised with colleagues in Green Sefton who were aware of many of the issues. The matter was dealt with as a corporate complaint which progressed to Stage 2 of the process.

4 Referral 2

- 4.1 An employee in Children's Services contacted a senior manager wishing to invoke the whistleblowing procedure. The Senior Manager informed the Monitoring officer in accordance with our policy. The matter related to concerns about the qualifications a member of staff was purported to have and her working practices.
- 4.2 After preliminary investigations the matter was referred to the Council's Local Authority Designated Officer and the council commissioned an independent investigating officer to complete an investigation. Once the report was completed an allegation management review strategy meeting took place. It was agreed that the outcome of the allegation management process should be recorded as unsubstantiated.

5. Referral 3

- 5.1 The Monitoring Officer received an email from a member of staff expressing concern that another member of staff was showing favouritism towards a particular contractor. The Monitoring Officer undertook some preliminary enquiries

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into the matter and liaised with Internal Auditor and determined there was no role for Internal Audit.

- 5.2 The matter was referred to the appropriate Assistant Executive Director who undertook an investigation and the outcome was that no evidence was found to evidence the behaviour / actions leading to an unfair advantage / gain by the contractor, or anything meriting further investigation. The member of staff has subsequently left the Council's employment (for unrelated reasons).
- 5.3 Prior to the receipt of the whistleblowing allegation Internal Audit had undertaken a review of procurement practices within the service, which identified some areas for improvement, but no concerns relating to these allegations.

6 Referral 4

- 6.1 The Monitoring Officer received a telephone call from a member of the public with information about the private life of a member of staff which they believed impacted on their ability to do their job. After discussions with HR and the person's service manager it was agreed that the information (even if true) would have no bearing upon their employment. The Monitoring Officer informed the member of the public of the outcome. The member of the public said that she was surprised with the outcome but thanked the Monitoring Officer for looking into the matter and getting back in touch with her.

7 Referral 5

- 7.1 The Monitoring Officer received an anonymous telephone call from a member of the public making allegations about a member of staff's previous employment which they believed meant they were unfit to hold the position they did in the Council. Following enquiries, it transpired that it was a case of mistaken identity. As the call was anonymous it was not possible to feedback to the member of the public.

8 Referral 6

- 8.1 A councillor received an anonymous letter making allegations against a member of staff. The matter was referred to HR and it transpired that they were aware of the matters raised and the member of staff was subject to HR processes. It was not possible to feedback to the member of the public.

9 Referral 7

- 9.1 An anonymous letter was received by the Mayor about the practices of an organisation contracted by the Council to provide services on its behalf. The allegations were considered by a senior officer in the contracting department and Internal Audit and a report was presented to the Monitoring Officer concluding that there was no substance to the allegations. It was not possible to feedback to the member of the public.

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| | | | |
|--------------------------------------|--|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Review of Terms of Reference of the Audit and Governance Committee | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulation, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The report informs members of revised guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the terms of reference for audit committees and seeks members views on the appropriateness of any changes that should be made to the same.

Recommendation(s):

- (1) That members note the contents of the report and form a view on whether any changes are required to the committees' terms of reference.
- (2) That the terms of reference for the committee be amended to allow for the appointment of one independent member.

Reasons for the Recommendation(s):

In order to comply with best practice, it is important for the committee to regularly review its terms of reference.

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

None

What will it cost and how will it be financed?

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(A) Revenue Costs

None

(B) Capital Costs

None

Implications of the Proposals:

| | |
|---|---|
| Resource Implications (Financial, IT, Staffing and Assets): | |
| Legal Implications: | |
| Equality Implications: There are no equality implications. | |
| 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 |

Contribution to the Council's Core Purpose:

| |
|--|
| Protect the most vulnerable: |
| Facilitate confident and resilient communities: |
| Commission, broker and provide core services: The purpose of an audit committee is to provide those charged with governance assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process |
| Place – leadership and influencer: |
| Drivers of change and reform: |
| Facilitate sustainable economic prosperity: |

| |
|---------------------------------------|
| Greater income for social investment: |
| Cleaner Greener |

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 7038/22) and the Chief Legal and Democratic Officer (LD 5238/22) 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. Any recommendations to change the committees terms of reference will have to be approved by Full Council.

| | |
|-------------------------|--------------------------------|
| Contact Officer: | David McCullough |
| Telephone Number: | Tel: 0151 934 2008 |
| Email Address: | david.mccullough@sefton.gov.uk |

Appendices:

- Appendix 1 – Current terms of reference
- Appendix 2 – CIPFA 2022 revised suggested terms of reference

Background Papers:

CIPFA – Guiding the audit committee, 2022 edition: [Audit Committee Practical Guidance 2022.pdf \(sefton.gov.uk\)](#)

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issues Practical Guidance for Local Authorities and Police on the role of the Audit Committees which includes suggested terms of reference.
- 1.2 The 2018 version of the guidance was considered by committee on 17 March 2021 and the committee recommended a change to its terms of reference in light of the guidance to Full Council on 18th May 2021 which were approved.

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- 1.3 CIPFA have now produced a new version of the guidance and the suggested terms of reference can be found at Appendix 2. A comparison of the revised suggested terms of reference with the committee's current terms of reference shows no material differences subject to the issues highlighted below.

2 Committee Size and Membership

- 2.1 The guidance states that among local authorities, there is a range of practice on committee size, including committees that exceed our membership of ten members. The concern with large committees is that it can be harder to achieve the depth of knowledge and experience that is desirable with a small number of members, but equally it can be difficult to provide training and development to a large group. CIPFA recommend that a committee size of no more than eight members.
- 2.2 A committee of ten members is consistent with the size of the Overview and Scrutiny Committees.
- 2.3 CIPFA also recommends that the use of substitutes should be avoided. They argue that substitute members are less likely to have received relevant training although our substitute members are entitled to attend all training that is provided to members of the committee. They also claim that having substitute members disrupts the continuity of the committee, where committee members can build on information received in previous meetings and they found that where committee members are regularly substituted, it is an indication of a lack of engagement with the committee's purpose and agenda.
- 2.4 In Sefton attendance at the previous meetings in this municipal year show that no substitute members have attended the committee.

3 Tenure of Membership

- 3.1 The Guidance states that the tenure of an elected representative on the audit committee will be influenced by the need to maintain political balance as well as other factors. In principle, CIPFA argue that establishing continuity on the committee is helpful to make the best of knowledge and experience, but some rotation is also helpful to bring a new perspective. CIPFA recommends that two full terms on the committee would be a reasonable maximum.
- 3.2 There is currently no limit on the tenure of a member's membership of the committee and members should consider whether there should be a limit.

3.3 Current membership details since 2008 / 09 are as follows:

| Member | Years as A&G Committee Membership |
|-----------|-----------------------------------|
| Shaw | 15 |
| McGinnity | 11 |
| Roche | 8 |
| Watson | 5 |
| Robinson | 4 |
| Cluskey | 4 |
| Dowd | 2 |
| JJ Kelly | 2 |
| Page | 1 |
| Burns | 1 |
| | |

4 Co-Opted Independent Member

4.1 CIPFA recommends that an audit committee should have at least two co-opted members. The reasons for CIPFA's recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and investing in the committee.

4.2 While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

4.3 We currently do not have any co-opted independent members on the committee, but we have started the process to recruit one such member. Committee is recommended to revise the terms of reference to allow for the appointment of one

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co-opted independent member and for such membership to be reviewed as part of the annual review of the committees' terms of reference in due course.

5 Standards

- 5.1 The core functions of the committee are wide ranging and whilst some local authority audit committees do have responsibility for its Members Code of Conduct and for dealing with complaints that members have breached the Code, CIPFA recommend that combining the function with audit should be avoided. They contend that whilst local authorities have a statutory duty to promote and maintain high standards of conduct, the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place rather than having direct responsibility for the same.
- 5.2 Members should consider whether it is appropriate for the audit committee to continue to have this function. One factor to consider is whether it is viable for the Council to have a stand-alone standards committee. Complaints that members have breached the Members Code of Conduct are infrequent and the Initial Assessment Sub-Committee has met only once this municipal year and once in the previous municipal year. In the last two municipal years no complaint has gone past the initial assessment stage.
- 5.3 The committee receives an annual report on the number and outcome of complaints; the last being to committee on 7th September 2022.
- 5.4 Revisions to the Members Code of Conduct are infrequent.
- 5.5 Members should consider whether it is appropriate for the Audit Committee to continue to have this function.

Appendix 1

Audit and Governance Committee - Current Terms of Reference

Statement of purpose

- 1 The Audit and Governance Committee is a key component of Sefton's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the Audit and Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sefton's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 4 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 7 To monitor the effective development and operation of risk management and Corporate Governance in the Council.
- 8 To monitor progress in addressing risk-related issues reported to the committee including the Corporate Risk Register.

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- 9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 11 To monitor the following activities:
 - Counter-fraud/ bribery strategy, actions and resources.
 - Whistleblowing
 - Money Laundering
 - Council Complaints Process including make payments or provide other benefits in cases of maladministration etc. under Section 92 of the Local Government Act, 2000 in excess of £1,000.
 - Breaches of Financial Procedure Rules and Contract Procedure Rules
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations and where appropriate obtain annual third party assurance statements.
- 13 To make recommendations to Council for amendments to the Constitution.
- 14 To make recommendations to the Council on the adoption, implementation and maintenance and review of a local Code of Conduct for Members – co-opted Members and officers of the Council.
- 15 To determine effective training of Councillors and Co-opted Members in matters of conduct and advice to individuals on issues relating to the treatment of interests and on the propriety of conduct generally.
- 16 To deal with the arrangements for Councillors to receive dispensations to speak on, or participate in, matters in which they have an interest.
- 17 To determine the appropriate action on matters referred to the Committee by the Monitoring Officer including disciplinary matters relating to the conduct of individual and/or groups of Councillors including alleged misuse of a Members Self-Maintained Website.

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

Internal audit

- 22 To approve the internal audit charter.
- 23 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 24 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 25 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 26 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 27 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

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- 28 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.
- 29 To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 30 To consider summaries of specific internal audit reports as requested.
- 31 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 32 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 33 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).

- 34 To provide free and unfettered access to the Audit and Governance Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

- 35 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 36 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 37 To consider specific reports as agreed with the external auditor.
- 38 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 39 To commission work from internal and external audit.
- 40 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Other Assurance areas

- 41 To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.
- 42 To consider write-offs of debt/ assets above £10,000.
- 43 To regularly review the Council's Treasury Management activities

Financial reporting

- 44 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 45 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

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Accountability arrangements

- 46 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 47 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 48 To publish an annual report on the work of the committee.

CIPFA SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [*or insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

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Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

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

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.

- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 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:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.

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- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

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| | | | |
|--------------------------------------|---|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Audit and Governance Committee - Work Programme Update Report | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

The Audit and Governance Committee Work Programme has been developed to help ensure that all of the responsibilities of the Committee set out in the Audit and Governance Committee's Terms of Reference are discharged during the municipal year.

The 2022-2023 Work Programme was approved by Audit and Governance Committee on 16 March 2022.

This report provides an update on reports listed for submission at the meeting of the Audit and Governance Committee held on 7 September 2022 and reasons for non-submission of some of the reports listed.

Recommendation:

The Committee is requested to note the Audit and Governance Committee Work Programme update on reports listed for submission to the meeting held on 7 September 2022.

Reasons for the Recommendation

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

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

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

To not have a Work Programme and not update the Committee on reasons for non-submission of expected reports would lessen the effectiveness of the Audit and Governance Committee.

What will it cost and how will it be financed?

(A) Revenue Costs

None directly

(B) Capital Costs

None directly

Implications of the Proposals:

| | | | | | | | | |
|--|------------------------|---|-----------------------|---|------------------------|---|---|---|
| Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications | | | | | | | | |
| Legal Implications: There are no direct legal implications | | | | | | | | |
| Equality Implications: There are no direct equality implications. | | | | | | | | |
| Climate Emergency Implications: The recommendations within this report will <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>Y</td></tr></table> This report provides an update on reports to be provided to the Audit and Governance Committee in September 2022 as set in the Work Programme and as such does not have any climate emergency implications. | 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: N/A |
| Facilitate confident and resilient communities: N/A |
| Commission, broker and provide core services: Yes |
| Place – leadership and influencer: N/A |
| Drivers of change and reform: Yes |
| 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 7001/22) and the Chief Legal and Democratic Officer (LD.5201/22) 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.

| | |
|-------------------------|----------------------------|
| Contact Officer: | Ruth Appleby |
| Telephone Number: | Tel: 0151 934 2181 |
| Email Address: | ruth.appleby@sefton.gov.uk |

Appendices:

Appendix 1 - Update on Reports listed in the Audit and Governance Work Programme and ad hoc reports submitted for consideration by Audit and Governance Committee held on 7 September 2022.

Background Papers:

CIPFA – Audit Committees – Practical Guidance for Local Authorities and Police 2022 Edition can be viewed at the following link: [Sefton Home](#)

1. Introduction/Background

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

2. Work Programme Update – September 2022

- 2.1 It is good practice to provide the Audit and Governance Committee with regular updates on reports listed in the Work Programme and submission of ad hoc reports for consideration at each of its quarterly meetings.
- 2.2 Appendix 1 provides details of the reports listed in the Work Programme for

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consideration at the meeting of the Audit and Governance Committee held on 7 September 2022 and the reasons for non-submission of some of the reports listed. It also provides details of ad hoc reports submitted which were not listed in the Work Programme.

- 2.3 As agreed by Audit and Governance Committee on 22 June 2022, update reports on adherence to the Work Programme will be provided to each of the quarterly meetings of the Audit and Governance Committee throughout the municipal year.

**Update on Reports listed in the Audit and Governance Work Programme for consideration by
Audit and Governance Committee held on 7 September 2022**

| | Report Title | Inclusion Rationale | Details | Comments/ Reason for delay |
|-----|---|----------------------------|------------------------|--|
| | Governance Reports | | | |
| (1) | Annual Report of the Audit and Governance Committee 2021-2022 | Terms of Reference | Submitted and approved | Recommended to Council for approval |
| (2) | Review of the Members Code of Conduct | Terms of Reference | Submitted and approved | |
| (3) | Review Audit and Corporate Governance Committee training requirements | Good Practice | Moved to March 2023 | To enable the current training programme to run for a full municipal year following approval on 16 March 2022. The training programme for future years will also be informed by and closely tie-in with the self-assessment process. |
| (4) | Review the Annual Governance Statement | Terms of Reference | Delayed | Will be incorporated in the 2021-22 Audited Statement of Accounts report which is delayed pending the completion of the external audit. At this stage likely to be in Q4 2022/23. |
| | Internal Audit Reports | | | |
| (5) | Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity | Terms of Reference | Submitted and approved | Quarterly update provided to Members |
| (6) | Provide a regular report on health and | Terms of | Submitted and | Quarterly update – incorporated in the Audit |

| | Report Title | Inclusion Rationale | Details | Comments/ Reason for delay |
|------|---|---------------------|------------------------|---|
| | safety | Reference | approved | and Risk Performance Update report |
| | Risk Management Reports | | | |
| (7) | Review of the Quarterly Corporate Risk Register | Terms of Reference | Submitted and approved | Quarterly update provided to Members |
| | Monitor Role | | | |
| (8) | Reporting of the anti- fraud, bribery and corruption strategy | Terms of Reference | Submitted and approved | Quarterly update – incorporated in the Audit and Risk Performance Update report |
| | Accounts, Financial Statements & Treasury Management reports | | | |
| (9) | Treasury Management Outturn | Terms of Reference | Submitted and approved | (9) and (10) Combined report |
| (10) | Treasury Management In-Year Position | Terms of Reference | Submitted and approved | |
| (11) | Write-offs of debt above £10,000 (if required) | Terms of Reference | Not submitted | Not required |
| (12) | Draft Statement of Accounts 2021-2022 | Terms of Reference | Report noted | Also agreed that a presentation on the key risks relating to Children's Social Care will be provided to March 2023 Audit and Governance Committee as part of the Quarterly Risk Register Review Report. |

| | Report Title | Inclusion Rationale | Details | Comments/ Reason for delay |
|------|--|---------------------|--------------------------------------|--|
| | Ad hoc Reports (not on Work Programme) | | | |
| (13) | Issuing of Press Releases | | Recommendations not approved. | Arising from Minute no. 9 of the previous meeting held on 22/06/22 when a request had been made for elected Members to be given 48 hours advance notice of press releases. Resolved that further consideration be given to the process for provision of advance notice of press releases to Councillors. |
| (14) | Southport Theatre and Conventions Centre Disposal of Fixtures and Fittings update | | Recommendations approved | Approval given for the disposal of the grand piano - also that unsold useable fridges, freezers, office furniture and equipment be donated to food banks and other local charities |
| (15) | Procurement – National Procurement Policy, Contract Procedure Rules and Internal Processes | Terms of Reference | Recommendations approved | |

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| | | | |
|--------------------------------------|--|----------------------------------|----------------------------|
| Report to: | Audit and Governance Committee | Date of Meeting: | Wednesday 14 December 2022 |
| Subject: | Request by Councillor Sir Ron Watson for an Amendment to the Constitution - Members' Questions to full Council | | |
| Report of: | Executive Director of Corporate Resources and Customer Services | Wards Affected: | (All Wards); |
| Portfolio: | Regulatory, Compliance and Corporate Services | | |
| Is this a Key Decision: | No | Included in Forward Plan: | No |
| Exempt / Confidential Report: | No | | |

Summary:

This report provides details of a request from Councillor Sir Ron Watson set out in in paragraph 2.1 to the report, for the Constitution to be amended in respect of Members' questions to full Council.

Recommendation:

That the Committee's views on Councillor Sir Ron Watson's request in respect of Members' questions to full Council as detailed in paragraph 2.1 be sought.

Reasons for the Recommendation(s):

A request has been received from Councillor Sir Ron Watson asking the Audit and Governance Committee to give consideration to the Constitution being amended in respect of Members' questions to full Council.

Alternative Options Considered and Rejected:

The Audit and Governance Committee to not give consideration to Councillor Sir Ron Watson's request regarding Members' questions to full Council.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct revenue costs

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(B) Capital Costs

There are no direct capital costs

Implications of the Proposals:

| | |
|---|---|
| Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications | |
| Legal Implications: There are no direct legal implications | |
| Equality Implications: There are no direct equality implications. | |
| 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 |

Contribution to the Council's Core Purpose:

| |
|--|
| Protect the most vulnerable: |
| Facilitate confident and resilient communities: |
| Commission, broker and provide core services: |
| Place – leadership and influencer: The opportunity for Councillors to ask questions and receive responses at full Council enables effective scrutinisation of Council decisions to facilitate a democratic, transparent decision-making process. |
| Drivers of change and reform: |
| Facilitate sustainable economic prosperity: |
| Greater income for social investment: |
| Cleaner Greener |

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7039/22) and the Chief Legal and Democratic Officer (LD5239/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

| | |
|--------------------------|----------------------------|
| Contact Officer: | Ruth Appleby |
| Telephone Number: | Tel: 0151 934 2181 |
| Email Address: | ruth.appleby@sefton.gov.uk |

Appendices:

There are no appendices to this report.

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 The Constitution makes provision for the Council to receive and consider questions to Cabinet Members, Chairs of Committees or Spokespersons for any of the Joint Authorities upon any matter within their portfolio/area of responsibility, of which notice has been given by Members of the Council in accordance with Paragraph 49 to 51 of the Council and Committee Procedure Rules, set out in Chapter 4 of the Council Constitution.
- 1.2 As set out in paragraph 2 below, Councillor Sir Ron Watson has requested that the Audit and Governance Committee consider the current provision and recommends that the Constitution be amended to enable the Deputy Leader of the Council to respond to any questions and supplementary questions submitted by Council Members to the Leader of the Council relating to the Leader's responsibilities on such occasions when the Leader of the Council is unable to be present at a Council meeting.

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2. Councillor Sir Ron Watson's request is set out below:

2.1 *"The current Sefton Constitution does make provision for a question time session at each Full Council Meeting.*

A period of 30 minutes is currently allowed for this part of our process but is proving to be inadequate as Members of the majority party seem to have adopted a new policy of asking their own Cabinet Members questions to which they appear to already be aware of the answers and this is clearly taking up the time meant to be to facilitate opposition parties asking questions and a supplementary question if considered appropriate.

There has developed a specific problem that relates to questions addressed to the Leader of the Council.

In those instances where the Leader is not able to be present, for what I am sure are always very valid and justifiable reasons, Members are advised that the question in effect cannot be put at the Council Meeting itself and that the Leader will respond in writing in due course to the individual Member.

There is no precedent in any other form of Council activity for such an approach where the role of the Deputy clearly establishes the mechanism by which matters relating to the Leader's responsibilities can be dealt with by the Deputy.

There is no other form of Council activity whereas in principle this format does not apply and it has not been possible to obtain a justification for the current situation as it relates to the Full Council.

The Audit & Governance Committee therefore should recommend an amendment to the Constitution to ensure that this anomaly is dealt with the best interest of the democratic workings of the Council.

I hope that Members will carefully consider the point and accept the recommendations which would assist the growing concerns that relate to certain aspects of Member involvement as a consequence a Councillor's ability to pursue and promote points raised both by individual constituents and representative organisations, particularly in the voluntary sector".

2.2 The Committee's views on Councillor Sir Ron Watson's request in respect of Members' questions to full Council as detailed in paragraph 2.1 above are sought.