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MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: Wednesday 6th December, 2017

TIME: 3.00 pm

VENUE: Town Hall, Southport

Member

Councillor
Councillor Brennan (Chair)
Councillor Roche (Vice-Chair)
Councillor John Pugh
Councillor Bennett
Councillor Bliss
Councillor McGinnity
Councillor Moncur
Councillor Sayers
Councillor Shaw
Councillor Anne Thompson
)

Substitute

Councillor
Councillor McKinley
Councillor Roscoe
Councillor Daniel Lewis
Councillor McCann
Councillor Jones
Councillor Brenda O'Brien
Councillor Linda Cluskey
Vacant
Councillor Hands
Councillor Bradshaw

COMMITTEE OFFICER: Ruth Appleby
Democratic Services Officer
Telephone: 0151 934 2181
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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.

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A G E N D A

- 1. Apologies for absence**
- 2. Declarations of Interest**

Members are requested to give notice of any personal or prejudicial interest and the nature of that interest, relating to any item on the agenda, in accordance with the Members Code of Conduct.
- 3. Minutes** (Pages 5 - 10)

Minutes of the meeting held on 13 September 2017
- 4. Review of Constitution - Planning Applications and Neighbourhood Plan** (Pages 11 - 16)

Report of the Chief Planning Officer
- 5. Re-use of Public Sector Information** (Pages 17 - 24)

Report of the Head of Regulation and Compliance
- 6. Local Government Audit Committee Briefing** (Pages 25 - 36)

Report of the Council's External Auditors – Ernst and Young LLP
- 7. Revenue and Capital Budget Update - Treasury Management 2017/18 - Position to October 2017** (Pages 37 - 46)

Report of the Head of Corporate Resources
- 8. Corporate Risk Management** (Pages 47 - 82)

Report of the Chief Internal Auditor
- 9. Risk and Audit Service Performance Report** (Pages 83 - 104)

Report of the Chief Internal Auditor
- 10. Exclusion of Press and Public**

The following report is not Exempt/Confidential, but includes an appendix which contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A under Section 100A(4) of the Local Government Act 1972. Namely,

Item 11 - Write off of irrecoverable Business Rates, Housing

Benefit Overpayments and Sundry Debts with balances over £10,000 –

- Appendix 1 – Business Rates
- Appendix 2 – Housing Benefit Overpayment
- Appendix 3 – Sundry Debt

Members are therefore requested to indicate whether or not they wish to discuss any matters referred to in the exempt appendices and accordingly, consider passing the following resolution:

That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for any items of business which might involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favours exclusion of the information from the Press and Public.

11. Write off of irrecoverable Business Rates, Housing Benefit Overpayments and Sundry Debts with balances over £10,000

(Pages 105 -
116)

Report of the Head of Corporate Resources

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

AUDIT AND GOVERNANCE COMMITTEE

**MEETING HELD AT THE ASSEMBLY HALL - BOOTLE TOWN HALL,
TRINITY ROAD, BOOTLE, L20 7AE
ON 13 SEPTEMBER 2017**

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

Councillors Ashton, Bennett, McGinnity, Shaw,
Anne Thompson, Linda Cluskey and Dams.

14. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Bliss, Moncur, Sayers and Jones (Substitute for Councillor Bliss).

15. DECLARATIONS OF INTEREST

No declarations of interest were received.

16. MINUTES OF THE MEETING HELD ON 28 JUNE 2017

RESOLVED:

That the Minutes of the meeting held on 28 June 2017, be confirmed as a correct record.

17. PROCUREMENT UPDATE

Further to Minute No. 5 of 28 June 2017, the Committee considered the report of the Head of Commissioning Support and Business Intelligence which provided details of current OJEU (Official Journal of the European Union) compliant procurement exercises and an update on the work being undertaken to improve procurement processes and practice within Sefton.

RESOLVED:

That the current OJEU compliant procurement exercises being undertaken and the progress of ongoing work to improve procurement processes and practice within Sefton be noted.

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AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 13TH
SEPTEMBER, 2017

18. TREASURY MANAGEMENT 2017/18 - POSITION TO 31 JULY 2017

The Committee considered the report of the Head of Corporate Resources on the Treasury Management position to 31 July 2017.

The report included information on the investments held and entered into during the period and interest rates obtained. The report also highlighted any variances from the Treasury Management Policy and Strategy and the Council's approved prudential indicators

The Service Manager – Treasury and Capital, presented the report and answered questions thereon.

RESOLVED:

That the Treasury Management position to 31 July 2017 be noted.

19. STATEMENT OF ACCOUNTS 2016/2017

Further to Minute No. 6 of 28 June 2017, the Committee considered the report of the Head of Corporate Resources on the final audited 2016/17 Statement of Accounts, including the Annual Governance Statement, for consideration and approval. In addition, the proposed 'Letter of Representation' letter from Sefton Council to the external auditor, Ernst & Young LLP (EY), was attached for approval.

Due to the length and complexity of the Statement of Accounts (including the Annual Governance Statement), a briefing session for Members had been held prior to the meeting, to guide Members through the report and answer questions and issues raised, and also to brief Members on the main changes that had occurred since the draft version. Members had also been invited to submit questions in advance of the meeting and 4 questions had been submitted by Councillor Bliss to which responses had been sent and circulated at the briefing session.

The report indicated that the Statement of Accounts 2016/17 provided information about the Authority's finances in respect of the cost of the Authority's services and what the Authority's assets and liabilities were at the end of the year; that the Audit and Governance Committee had delegated authority to approve the Statement of Accounts 2016/17 by 30 September 2017; that the draft Statement of Accounts had been certified by the Head of Corporate Resources on 1 June 2017 and included the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, the Balance Sheet; Cash Flow Statement; notes to the Financial Statements; Collection

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SEPTEMBER, 2017

Fund, Group Accounts, the Annual Governance Statement and the Independent Auditors (Ernst and Young LLP) Report to Members.

The Head of Corporate Resources, the Service Manager - Corporate Finance and representatives from Ernst and Young, presented the report, highlighting changes to the draft Statement of Accounts relating to the actual financial statements, as outlined in the report.

The Head of Corporate Resources concluded by thanking the Corporate Finance Team and Ernst and Young for their efficient and timely production of the 2016/17 Statement of Accounts and Annual Governance Statement.

RESOLVED: That

- (1) the 2016/17 Statement of Accounts be approved;
- (2) the Annual Governance Statement be approved;
- (3) the comments of Ernst and Young LLP be noted;
- (4) the Letter of Representation be approved and the Chair of the Committee and the Head of Corporate Resources be authorised to sign it on the Council's behalf; and
- (5) The Corporate Finance Team and Ernst and Young be commended for their dedication and hard work and collaboration in the production of the Statement of Accounts and Annual Governance Statement 2016/17.

20. RISK AND AUDIT SERVICE PERFORMANCE REPORT

Further to Minute No. 10 of 28 June 2017, the Committee considered the report of the Chief Internal Auditor on the performance and activities of the Risk and Audit Service in the period 15 June to 30 August 2017.

The report summarised the main aspects of the performance of the Service during this period and gave a detailed overview of the following areas:

Internal Audit:

- Work undertaken in the period, including a summary of work and an outline of the high priority recommendations made;
- performance against Key Performance Indicators; and
- developments relating to this part of the Service.

Health and Safety, Insurance and Risk and Resilience:

- Work undertaken in the period, with key data provided; and
- developments relating to these parts of the Service.

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The report concluded by looking ahead to the forthcoming activities to be undertaken by the Service.

The Chief Internal Auditor presented the report and answered questions on concerns raised by schools following recent terrorist attacks in Manchester and London; measures put into place for the Open Golf Championships at Royal Birkdale in July; management of health and safety risk in Council buildings in the light of the Grenfell Tower tragedy; insurance claims / provision; and measures being put into place to address sickness within the team.

The Chief Internal Auditor also introduced Mr David Eden, who had taken up the post of Audit Manager on 21 August 2017.

RESOLVED: That

- (1) the progress in the delivery of the 2016/17 Internal Audit Plan and the activity undertaken for the period 15 June to 30 August 2017, be noted; and
- (2) the contribution made by the Health and Safety, Insurance and Risk and Resilience teams in managing key risks be noted.

21. CORPORATE RISK REGISTER

The Committee considered the report of the Chief Internal Auditor which provided an update on the Corporate Risk Register. The report indicated that since the last meeting, the Corporate Risk Register had been fully updated with one risk closed and two new risks identified.

The Chief Internal Auditor presented the report and answered questions on a number of issues, including the National Funding Formula for schools; the Council's exit from its contract with Arvato; and the capability of the Council in preparing for and responding to major incidents.

The Chief Internal Auditor indicated that a review of procedures was being undertaken so as to provide assurance that the Council's plans and approaches were robust, effective and would stand up to a high level of public scrutiny in the event of a major incident occurring in Sefton.

RESOLVED:

That the contents of the Corporate Risk Register be noted and in particular the nature of the major risks facing the Council and planned actions in place to mitigate these.

22. REVIEW OF THE COUNCIL'S WHISTLE-BLOWING POLICY

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 13TH
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The Head of Regulation and Compliance had indicated that she wished to undertake a review of the Council's Whistleblowing Policy with a view recommending any amendments to the next meeting of the Audit and Governance Committee.

As such, she had invited 3 Members of the Audit and Governance Committee to volunteer to form a 'task and finish' working group for consideration of suggested amendments to the Whistleblowing Policy which would feed into a report to Audit and Governance Committee. She had indicated that issues could be dealt with via email rather than holding meetings.

Councillors Bennett, Shaw and Anne Thompson indicated that they would like to form the task group, with Councillor Shaw as 'Lead Member'.

RESOLVED: That

- (1) the Head of Regulation and Compliance be notified that Councillors Bennett, Shaw and Anne Thompson had agreed to be members of the 'task and finish' working group to help with suggested amendments contributing towards a review of the Council's Whistleblowing Policy for submission of a report to the next meeting of the Audit and Governance Committee on 6 December 2017; and
- (2) Councillor Shaw be appointed as 'Lead Member' on the 'task and finish' working group.

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Agenda Item 4

Report to:	Audit and Governance Committee Council	Date of Meeting:	6 December 2017 25 January 2018
Subject:	Review of Constitution		
Report of:	Chief Planning Officer	Wards Affected:	All
Portfolio:	Cabinet Member Planning & Building Control		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary: The scheme of delegation requires a number of planning (and other) applications to be reported to Planning Committee which are not significant and have no major implications.

It also contains a number of requirements relating to Neighbourhood Planning. However, amendments are needed to reflect changes to national legislation and the Council's governance arrangements, including the creation of the Cabinet Member: Planning and Building Control portfolio and consequential changes to other portfolio holders' responsibilities.

Recommendation that:

1. the Audit and Governance Committee recommends to Council that the Constitution is amended to reflect the proposals set out in paragraphs 2.3, 2.5, 2.8, 2.9, 3.4, 3.5 and 4.1 of this report; and
2. Council resolves to amend Constitution is amended to reflect the proposals set out in paragraphs 2.3, 2.5, 2.8, 2.9, 3.4, 3.5 and 4.1 of this report.

Reasons for the Recommendation:

To enable the Constitution to be amended to streamline consideration of certain types of planning applications and updated in relation to Neighbourhood Planning.

Alternative Options Considered and Rejected: (including any Risk Implications)
Not make any changes. This would mean that some straightforward and uncontentious planning (and other) applications would continue to be reported to Planning Committee which could reasonably be delegated to the Chief Planning Officer. The opportunity to save time and improve efficiency would therefore be lost. In relation to Neighbourhood Planning, the scheme of delegation does not reflect current legal and constitutional requirements.

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 are no resource implications.
Legal Implications:
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Yes
Commission, broker and provide core services: Yes
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD FD4944/17) and Head of Regulation and Compliance (LD4229/17) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Immediately following the Council meeting.

Contact Officer:	Steve Matthews
Telephone Number:	Tel: 0151 934 3008
Email Address:	steve.matthews@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Background

1.1 The Council's constitution defines those applications which should be determined by Planning Committee (chapter 7, sections 21 & 22). This includes 'major' applications which comprise proposals of 10 or more dwellings or new floor space of 1000 sq. metres or more.

1.2 A number of major applications have very little impact in the local area, generally have very little public and political interest and it is an inefficient use of resources to report them to Planning Committee. It also delays their determination and potentially holds up investment.

1.3 The constitution does not specifically refer to Neighbourhood Planning. However, a scheme of delegation was approved by Council in January 2013 (Minute 83). However a lot of the recommendations have been superseded by changes to legislation, our better understanding of the process, and the creation of the Cabinet Member: Planning and Building Control portfolio. Consequently, it is recommended that the Cabinet Member: Planning and Building Control is delegated authority to determine whether a submitted Neighbourhood Plan can proceed to examination.

2. Proposals currently reported to Planning Committee which could be delegated

Major applications and variation of conditions

2.1 Recent examples of 'major' applications which have very few implications and which, with hindsight, seem unnecessary to report to Planning Committee include:

- change of use to a training centre within an industrial building at Heysham Road
- change of use to a trampolining centre within an empty unit at Aintree Racecourse Park
- proposals for the recladding and variation of use of a retail unit on Tulketh Street.

Another example is the variation of conditions of all major applications.

2.2 If major proposals are contentious, this becomes obvious in a number of ways. They are likely to be 'called in', or they may be the subject of a petition, or they will attract quite a number of objections.

2.3 It is proposed that the following 'major' applications should be delegated to the

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Chief Planning Officer:

- those which are not 'called in' to be determined by Planning Committee
- those which are not petitioned, and
- those which have fewer than 5 planning related objections.

It is also recommended that applications to vary conditions on major applications which are not contentious are not considered by Planning Committee.

Applications subject to a petition

2.4 Currently, applications which are 'called in' by a Council Member, and where it is proposed to determine the application in line with the view of the Member who made the request, are delegated to the Chief Planning Officer. However, if the application is the subject of a petition, the same approach does not apply – the petitioner would have to agree in writing to withdraw the petition before the decision could be made. This does not add any value to the process as it simply delays the decision.

2.5 It is proposed that any application which is petitioned but which is to be recommended for approval or refusal by officers in line with the wish of the petitioner will no longer be considered by Planning Committee. When such a situation arises the petitioner would simply be notified out of courtesy that the application will not be reported to Planning Committee.

Prior approval applications

2.6 Applications for 'prior approval' (e.g. for telecommunications masts) have stringent periods within which they are to be determined. If they are not determined within 56 days they are deemed to have been granted consent. If such an application is petitioned, and depending on when exactly the period ends within which neighbours are notified, the application may only be able to be reported to a meeting of Planning Committee which is beyond the last day for determination.

2.7 This leads to the anomaly that a controversial development could end up being granted 'deemed consent' by default, by virtue of a petition which requests that it be reported to a meeting of Planning Committee, thereby missing the statutory 56 day determination period.

2.8 When the Committee dates for determining the application fall outside the statutory determination period, the application should be reported to a Planning (Urgent Referrals) Committee. If an Urgent Referrals Committee cannot be arranged within the necessary timescale it is recommended that the decision will be taken by officers.

2.9 The constitution in chapter 7, sections 21 & 22, currently sets out which types of application will or will not be determined by Planning Committee. This could be interpreted to mean, for example, applications to discharge conditions which are no more than a technical assessment of details following the substantive decision. These are not planning applications. It is proposed to make clear that the reference to applications means 'planning applications'.

3. Development proposals submitted by Councillors and Officers and Council Development

3.1 It is recognised that development proposals submitted by Councillors, Officers and their friends and relatives can give rise to suspicions of impropriety. The approach to considering such proposals is set out in chapter 12 of the constitution, paragraphs 165 & 166. It is not entirely clear from these paragraphs which applications should be considered by Committee and which could be delegated.

3.2 It could be interpreted that all applications of former members of staff and their close friends or relatives would have to be reported to Planning Committee. This could apply to a large number of people who no longer have a close connection with the authority and are in no position to influence the outcome of an application.

3.3 In addition, any applications made by (or on behalf of) junior members of staff across the Authority, who also are in no position to influence the outcome of an application, must be reported to Committee.

3.4 It is proposed to restrict those applications being reported to Planning Committee to those submitted by or on behalf of all Members and senior Officers, and any member of staff of Planning Services.

3.5 Para 166 says that "Proposals for a Council's own development should be treated in the same way as those by private developers, in accordance with Circular 19/92". It is proposed to delete this last phrase as this Circular is no longer valid in England.

4. Neighbourhood Planning

4.1 The Council's constitution does not specifically refer to Neighbourhood Planning. However, a scheme of delegation was approved by Council in January 2013 (Minute 83). However a lot of the recommendations have been superseded by changes to legislation, our better understanding of the process, and the creation of the Cabinet Member: Planning and Building Control portfolio. Consequently, it is recommended that the Cabinet Member: Planning and Building Control is delegated authority to determine whether a submitted Neighbourhood Plan can proceed to examination.

4.2 This is a matter of ensuring that the required the correct documentation has been submitted in accordance with Regulation 15 of the Neighbourhood Planning (General) Regulations 2012. These are:

- (a) a map or statement which identifies the area to which the proposed neighbourhood development plan relates;
- (b) a consultation statement;
- (c) the proposed neighbourhood development plan; and
- (d) a statement explaining how the proposed neighbourhood development plan meets the requirements of paragraph 8 of Schedule 4B to the 1990 Act.

5. Conclusions

The report sets out a number of proposals to streamline current procedures so that straightforward and uncontentious proposals can be determined under delegated powers. It also sets out the situation relating to whether a submitted Neighbourhood Plan can proceed to examination.

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Agenda Item 5

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 6 December 2017
Subject:	Re-use of Public Sector Information		
Report of:	Head of Regulation and Compliance	Wards Affected:	(All Wards);
Portfolio:			
Is this a Key Decision:	No	Included in Forward Plan:	No Please delete as appropriate and remove this text.
Exempt / Confidential Report:	No		

Summary:

The report details the need for the Council to include guidance on the re-use of public sector information on its website.

Recommendation(s):

Members are requested to:

- (1) Approve the guidance note attached as appendix 1; and
- (2) Approve inclusion of the guidance note on the Council's website informing the public how they may make a request to re-use public sector information.

Reasons for the Recommendation(s):

It is important that the public are made aware of the procedure should they wish to re-use Public Section Information.

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

To not provide the information/advice would not be good practice. Regulation 16 of The Re-use of Public Sector Information Regulations 2015 imposes a statutory requirement to publish certain information.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct financial implications arising from this report.

(B) Capital Costs

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There are no capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no specific resource implications arising from this report.
Legal Implications: Failure to publish guidance and details of charges would mean that we are not compliant with Regulation 16 of The Re-use of Public Sector Information Regulations 2015
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: The guidance will ensure that the public are aware of the re-use of public sector information in Sefton.
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 4941/17) and Head of Regulation and Compliance (LD 4226/17) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None.

Contact Officer:	Catherine Larkin
Telephone Number:	0151 934 3286
Email Address:	catherine.larkin@sefton.gov.uk

Appendices:

Appendix 1. Proposed guidance note.

Background Papers:

There are no background papers.

1. Introduction/Background

- 1.1 The Re-use of Public Sector Information Regulations 2005 SI 2005 No. 1515 (“the Re-use Regulations”) came into force in July 2005. They set out the conditions for the re-use of public sector information and establish the standard licensing structure for re-use of public sector information for a purpose other than the one for which the information was originally created or gathered. The Re-use Regulations are separate from information access legislation and they do not affect access to information.

The purpose of this report is to notify Councillors of the need to have guidance regarding Re-use of Information re-instated on the Council’s website, which was inadvertently removed when some modifications were made to the Council’s website. The guidance will provide details of how members of the public may submit a request to re-use information, charges, a link to the Open Government Licence, copyright and how to make a complaint.

2. The Guidance

- 2.1 The proposed guidance note is attached at appendix 1.

3. Recommendation

- 3.1 Members are asked to approve the attached guidance note and approve the publication of the note on the Council’s website.

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Appendix 1

The information on RPSI below will be added to the Council's website on the FOI/DP/Transparency pages at the link below:

<https://www.sefton.gov.uk/your-council/open-data,-transparency-and-foi/freedom-of-information-and-data-protection.aspx>

The heading will need to be changed to:

Freedom of Information, Data protection and re-use of Council data

Re-use of Public Sector Information

Re-use of information means using public sector information for a purpose other than the initial purpose for which it was originally produced, held or disseminated. Public sector information within the public task is presumed to be re-usable once access is obtained, unless the information is otherwise restricted or excluded.

Common examples of restrictions and exclusions include copyright exclusion and protection of personal data.

The Re-use of Public Sector Information Regulations 2015 cover permitting re-use of information and how the information is made available. They are not about accessing information, which is dealt with under information access legislation such as the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

Under the Regulations, any information that we produce, hold or disseminate within our public task must be re-usable by members of the public unless the information is restricted or excluded.

Please see follow the link below to view the Council's publication scheme:

<https://www.sefton.gov.uk/your-council/open-data,-transparency-and-foi/freedom-of-information-and-data-protection/how-to-make-an-foi-request.aspx>

Open data

Some information is already available via the Open Data (transparency page). Follow this link:

<https://www.sefton.gov.uk/your-council/open-data,-transparency-and-foi/transparency.aspx>

Making a request for re-use

If you wish to submit a request to re-use information, you should write to:

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- The Information Governance team, 7th Floor, Merton House, Stanley Road, Bootle, L20 3UU
- or email information@sefton.gov.uk
- Include your name and address for correspondence
- Specify the information that you want to re-use and the purpose you intend to use it for

You do not need to ask permission to re-use any information if we have already made it available under the Open Government Licence by publishing it or via a request under another piece of information legislation, but you must comply with the terms of the Open Government Licence.

Link to OGL:

<http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

When we receive a request to re-use information, we will respond within 20 working days. This time limit can be extended if the information is extensive or the request raises complex issues, but we must inform you of this within the 20 day period.

Information which has not already been disclosed

If the Council has not previously disclosed the information requested, then we will deal with this as a request under the appropriate legislation (e.g. under the Freedom of Information Act 2000 or Environmental Information Regulations 2004) in order to decide whether the information is exempt. This will be the first stage of dealing with the request and once responded to we will then deal with the re-use request.

We will make the information for re-use available in the format and language in which it is held by the Council. If we do not already hold it in an open format, but it is possible and appropriate to make it available in this way, then we will do so. There may be a charge for re-use, and a separate licence may need to apply, however we will advise if this is the case.

Charging for re-use

Requested information will be sent to the requester via email, free of charge. If information is required in hard copy or other formats, the council can charge the requester for the costs of printing, photocopying, postage and supplying the information in a particular format. These are known as 'disbursement' charges and are set out below:

Photocopies of Documents

Per page A4 £ 0.25

Per page A3 £ 0.50

Plan printing £ 2.00

Postage – Based on current Royal Mail rates for recorded delivery.

To view the Planning Service Fees and charges, please use the link below:

<https://www.sefton.gov.uk/planning>

Our response will tell you about any conditions for re-use, and if you will be charged a fee to re-use the information. In most cases information will be available to re-use free of charge. If you require paper copies of documents we may charge you for each copy as indicated above and the cost of postage and packing. If the information is available electronically and you are happy to receive it by email there will be no charge.

Making a complaint

If you are dissatisfied with the handling of a request for re-use by the council, or need the council to review its decision on charging, licensing, refusal or any other aspect of the council's response, you should write to the Information Management and Governance Lead, Sefton Council, Merton House, Stanley Road, Bootle, L20 3UU or email: information@sefton.gov.uk

If you are still dissatisfied following the Council's review, then you can make a request to the Information Commissioner's Office for a Decision. Please see the link below to the Information Commissioner's website:

Link to ICO website:

<https://ico.org.uk/global/contact-us/>

Copyright

The 2015 Regulations do not affect the Council's copyright. The supply of documents and information to you by the Council [for example under Freedom of Information and on our website] does not give you the right to re-use them in a way that would infringe our copyright.

You may reproduce brief extracts from those documents without our permission under the "fair dealing" provisions of the Copyright, Designs and Patents Act 1988: for the purposes of research for non-commercial purposes; private study; criticism; review and news reporting - all subject to an acknowledgement of the Council as copyright owner. Wider re-use requires our permission. This applies equally to any of the Council's logos.

We may choose to allow re-use under a licence, imposing conditions on the re-use of the information to ensure that it is not used in a manner inconsistent with our copyright; and we may also decide to charge a re-use fee.

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**Local
Government
audit committee
briefing**

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Key questions for the Audit Committee **8**

Find out more **8**

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

EY Item Club Forecast

The latest EY Item Club forecast projects that UK GDP will grow by 1.8% this year, in line with last year's outcome. Rather than meaning that nothing has changed in the economy, it masks an underlying shift in the balance of demand following the fall in the pound after last June's Brexit vote – and means the economy is already adjusting to life outside the EU.

It expects growth to slow down during the course of this year, leaving 2018 and 2019 looking weaker at growth rates of 1.2% and 1.5% respectively.

As consumption grows, the shift in demand that's underway essentially involves a rebalancing from consumption to overseas trade. Last year, consumption effectively accounted for all the growth in demand, with overseas trade subtracting 0.4% from UK GDP growth. But with the savings ratio at a record low, this year sees a major slowdown in consumption as inflation bites into spending power. Meanwhile, net trade is projected to add to GDP in every year covered by this forecast.

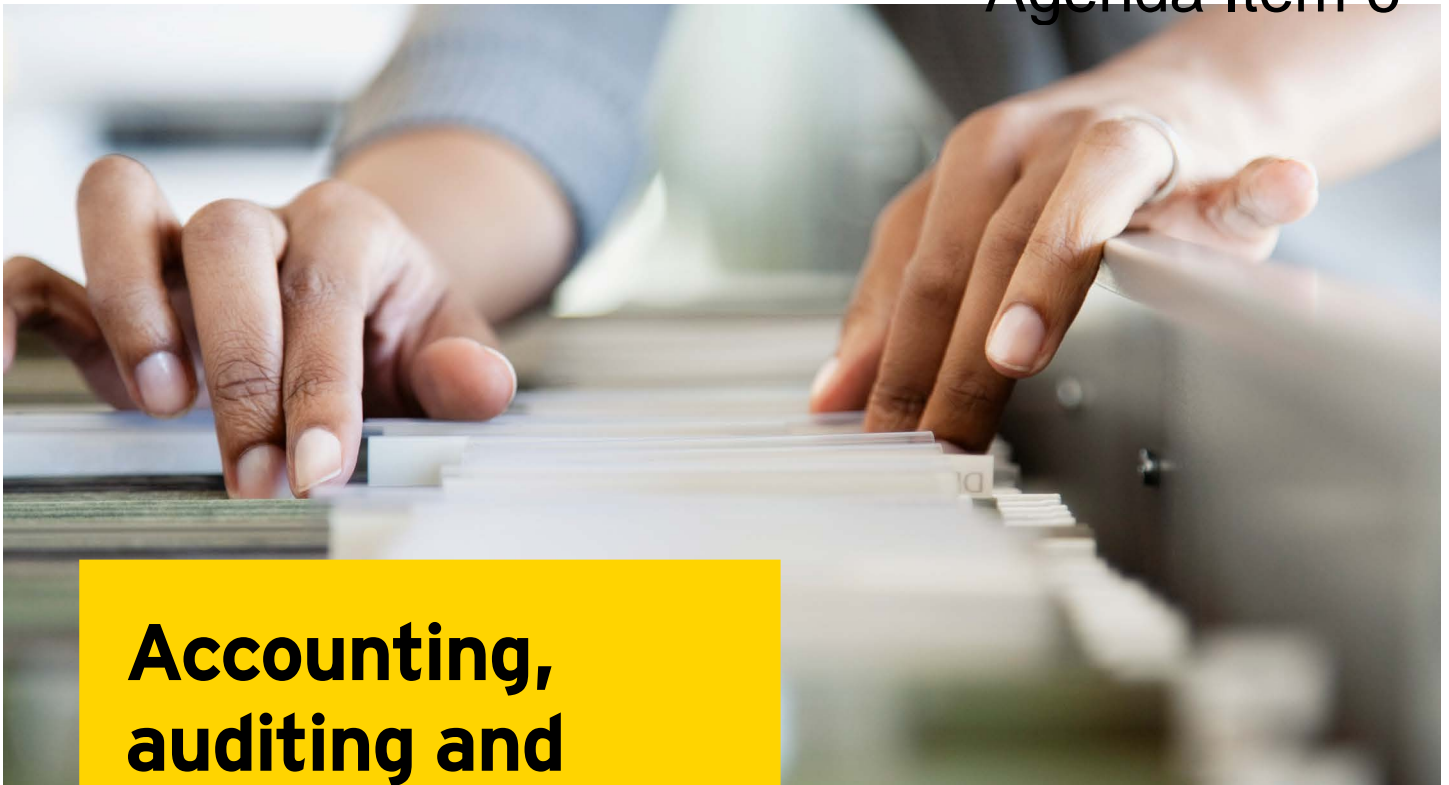
This adjustment is being helped by a timely revival in our overseas markets. World trade and industrial output are growing faster than at any time since 2010, when they bounced back from the recession. For once, the recent economic data has surprised on the upside – not just in the UK but also in the US and Eurozone.

This revival partly reflects the knock-on effects of the collapse in commodity prices in 2015. And their recent recovery has pushed inflation back close to target levels almost everywhere, easing worries about deflation, especially in the Eurozone.

Despite the bright spots, political risks remain. In the US, the 'Trump bump' in the financial markets has been followed by another increase in consumer and business confidence. As a result, consumer confidence there is now stronger than at any time since the dot-com boom in 2000. However, as president, Donald Trump is facing political challenges in delivering some of his campaign promises – a situation that makes the likelihood, timing and magnitude of US policy initiatives very uncertain. What's more, any initiatives he does succeed in delivering could either help or hinder the UK's adjustment to life outside the EU.

Against this mixed background, UK exporters are currently enjoying the benefits of Single Market membership as well as the devaluation in sterling and the revival in the world economy. We are assuming they will be trading under World Trade Organisation (WTO) rules in two years' time, although it's possible that the Government will be able to negotiate more favourable transition arrangements, perhaps followed by free trade agreements. These arrangements would make the adjustment smoother than the WTO option and provide some upside potential.

In respect of Brexit, firms may not have the confidence to invest until they see the shape of the new trading and immigration arrangements. The forecast sees investment falling this year and again in 2018, holding back demand and longer-term economic performance. As the countdown to Brexit begins, it's clear that UK businesses will be living with uncertainty for some time to come.



Accounting, auditing and governance

WannaCry ransomware attack

On Friday 12 May 2017, a global ransomware attack occurred across a whole range of sectors, including healthcare, government, telecommunications and gas, spreading to over 300,000 systems in over 150 countries. This affected many NHS Providers throughout the UK including the ability of some to provide a full suite of healthcare.

Over the last five years the number of attacks has grown tremendously as cyber criminals demand relatively small amounts of money in return for the data they hold hostage. However the return of data does not always happen.

WannaCry was used in conjunction with self-propagating malware allowing it to spread aggressively to other computers over an organization's network without requiring further interaction from users. This is the first time ransomware has been used in this way.

Why is this attack significant?

The global scale of indiscriminate targeting emphasizes the need for all companies, private and public, to pay attention to security basics:

- ▶ Keep systems up-to-date with software patches
- ▶ Make regular backups of data
- ▶ Educate users not to click suspicious links

The overall cost of the disruption is significant, but variable by sector and organization. Actual costs to organizations is not yet known, and will differ for every victim, but could have long lasting effects in the NHS if it lead to delayed or cancelled treatments.

Steps to take now

The WannaCry incident highlights the need for organizations to get the cybersecurity basics right:

1. Identify and manage the organization's cyber risks, with a specific focus on the priority cyber threats and breach scenarios that could disrupt operations or have other negative impacts on the organization.
2. Educate the organization's employees in good cybersecurity practices and the use of third-party assessment/assurance programs.
3. Maintain awareness of the cyber threat environment. Cyber criminals and other attackers are constantly evolving their methods to create ever-more effective ways of exploiting vulnerabilities for monetary gain or disruption purposes. Often this involves interfering with data integrity rather than compromising its confidentiality.
4. Maintaining and regularly reviewing elements of a cybersecurity program will provide a strong foundation for building cyber resilience into your organization: patch often, define your cyber incident response process, back up regularly and practice response scenarios.

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Preventive measures to reduce the risk of ransomware

EY member firms range of cybersecurity services – including proactive penetration testing, cyber transformation and Managed Security Operations Centers – can be leveraged to prevent a ransomware outbreak within an organization:

- ▶ Ensure vulnerability and patch management policies and procedures are up to date and are implemented through appropriate change control procedures. Where out-of-date and legacy operating systems are used, seek guidance from vendors on further steps.
- ▶ Maintain an effective enterprise incident response and business continuity plan that is tested and measured for effectiveness against ransomware and other potential attack methods, as well as updated to reflect the current cyber threat environment.
- ▶ Ensure the organization has a security awareness training program in place with proactive testing, including screenshots of what to look out for. Clear guidance should be provided on the immediate steps alongside incident reporting guidelines. This should be communicated to all users and third parties who connect to the organization's network.
- ▶ Ensure regular, tested backups are in place to mitigate effects of possible infection and speed the recovery process in lieu of succumbing to ransom payment demands.
- ▶ Seek assurance from third parties who connect to your network that they are following similar actions to yourself and that they are appropriately protecting themselves.
- ▶ Implement endpoint monitoring, giving security operations teams the visibility into malicious behaviour occurring in the environment.
- ▶ Identify critical systems and data and confirm these are connected to Internet only when necessary.
- ▶ Make sure to test the security program with frequent penetration tests across the estate.
- ▶ Review how proactive security monitoring of the entire environment via a [Security Operations Center \(SOC\)](#) could enable faster detection and response to incidents.

Response considerations in the event of an attack

If an organization believes it is compromised, or is in the process of being compromised, then the following activities can help to provide a rapid response, damage containment and communications to end users:

- ▶ Disconnect infected machines from the network and take all backups offline. These could become encrypted as well if left connected to the network.
- ▶ [EY FIDS's Forensic Technology & Discovery Services team](#) can be quickly mobilized to help companies:
 - ▶ Forensically analyse network and host systems to detect early indications of penetration by ransomware to allow more rapid response and remediation.
 - ▶ Forensically detect, identify and contain ransomware malware based on previous experience with ransomware negotiations and ransomware eradication. Forensically circumvent ransomware and/or recover data from damaged systems and/or backups, and verify that recovered data are clean from ransomware contamination.
 - ▶ Forensically image and preserve highly sensitive impacted machines to help ensure the systems and data are not destroyed by ransomware.
 - ▶ Collect and preserve IT and business evidence in a forensically sound manner, and then deliver internal or stakeholder investigations and support disputes with customers, service providers, and requirements for regulatory reporting.
- ▶ Activate your incident response plan and don't treat the investigation as merely an IT issue; there should be cross-functional representation in the investigation team such as: legal, compliance, information security, business, PR, HR, etc.
- ▶ Identify and address vulnerabilities in the environment, sufficiently harden the environment to complicate the attacker's effort to get back in, enhance the ability to detect and respond to future attacks, and prepare for eradication events.
- ▶ Activate your business continuity plan. Prepare data based on varying requirements for regulatory inquiries or civil suits.

Women and leadership

The King's Fund recently drew attention to a couple of reports on women in leadership roles:

- ▶ NHS Women on Boards: 50:50 by 2020 (see <http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020>)
- ▶ Women in finance

These reports draw attention to the problems some women face in obtaining senior leadership positions within the NHS and other organisations. While there are typically more women that start in finance roles than men there are few women that move up the management ladder. The main reason for this is thought to be organisational culture.

A study in 2016 across a range of sectors found that unsupportive workplace cultures present the most significant barrier for women to progress their career. This was the case for female respondents in most age categories. Gender inequality and discrimination were reported with women feeling that they have to over-perform simply because of their gender. Recommendations following this study included building closer relationships between men and women in the workplace, and the provision of

opportunities to discuss gender issues experienced within the organisational culture.

Organisational culture, such as the drive for a more inclusive approach to leadership development, is currently receiving considerable attention in the NHS. Given the NHS is made up of a predominantly female workforce, the impact of such a culture is largely upon women. Despite 77 percent of the NHS workforce being female there is generally a much lower percentage of women in senior leadership positions. For the NHS Improvement/ NHS Employers target of 50:50 representation on boards to be achieved 500 more women would need to be appointed to board-level positions by 2020.

The NHS report also advocates gender-specific learning in NHS training programmes, covering topics such as unconscious bias, management of flexible working practices and specific female coaching, mentoring and sponsorship.

Within the EY Assurance service line we have many experts in Culture and have provided various services across the NHS and Local Government. If you would like to discuss any of these past projects, or a new one for your body, please contact your local engagement lead who can provide more information.

2018/19 Code of Practice on Local Authority Accounting Consultation

CIPFA/LASAAC are consulting on the 2018-19 Code of Practice on Local Authority Accounting in the United Kingdom.

The consultation closes on 6 October 2017 with responses direct to CIPFA. The following changes are being consulted on:

- ▶ IFRS 9 Financial Instruments
- ▶ IFRS 15 Revenue from Contracts with Customers

- ▶ Narrow scope amendments to International Financial Reporting Standards
- ▶ Legislative and policy changes.

Further information is available from Paul Mayers, Audit Manager, on 07972 221 078 or paul.mayers@nao.gsi.gov.uk.

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Other news

Use of Housing Companies

Housing lawyer Ian Doolittle has stated that there are over 40 councils which have or are currently working towards setting up housing companies, with this figure expecting to increase over the coming years.

The reasoning behind setting the companies up can vary from building homes to sell and rent at market rates, to building social housing separate to the HRA. The message from central government regarding this is that any means to help the current housing crisis is welcomed.

Deputy Chief of the Chartered Institute of Housing (CIH) Gavin Smart spoke about the benefits housing companies can have in serving different market segments, however was wary regarding whether the new homes are genuinely affordable.

He stated that councils must prioritise building new home at social rent levels.

An interesting aspect around the housing companies being set up is that responsible borrowing of money from the General Fund does not count towards the HRA Debt cap. This is being seen as an attractive option for many councils who have reached the debt cap which was introduced in 2012.

With private developments not meeting demand and private housing carrying a high cost it seems Housing Companies could be seen as an important mechanism in achieving the Government's aim to build one million new homes over the next five years.

For advice on the implications of setting up a Housing Company please speak to your audit engagement team.

EY Local government audit committee members governance forum

Between April and July we held five events across the country for local government audit committee chairs and members to meet, network, gain some EY insights and learn from each other on topical governance challenges facing the sector.

We've met almost 80 members some with a few weeks experience and others with many decades, some who may well have been just out of school, others far wiser but all passionate about their local communities their roles as elected officials.

In this section of the briefing we share with you the benefits members obtained from attending our events and our plans for the future.

We focused each forum on the current hot topic in the sector – commercialisation and what it means for audit committees. Notwithstanding the challenge posed by the simple question of 'what does commercialisation mean', the variety of ongoing

and emerging activities was striking ranging from advertising on roundabouts to building new crematorium and establishing housing development companies. Some key threads for members was public perception of authorities acting commercially, the need for authorities to ensure that they have the right capabilities, capacity, are focused on the long term and that the organisational culture matches the direction of travel.

Audit committee members had some concerns that they only tend to see commercial activities after they had been signed and sealed rather than providing challenge on governance and accountability before deals are completed.

Members valued the opportunity to meet peers, network and connect and hear how others are tackling similar issues using different approaches. Members also valued the insights that EY brings from our engagement with a wide range of authorities and other organisations around the country.

Next steps

Following the overwhelmingly positive feedback from attendees we plan to run these forum every six months. We will seek input from members to set the agenda but

ensure sufficient time for networking and sharing and suspect the commercialisation agenda will remain the hot topic. Please liaise with your engagement partner and audit manager for details of dates and venues.

Outcome of Local Government Tender Process

The Public Sector Audit Appointments Limited (PSAA) announced the results of the Local Government tender on 20 June 2017, and we are delighted to say that we have been successful in retaining our 30% share of the Local Government external audit market. Details of the announcement can be found on the [PSAA website](#).

Since 2012, we have invested and committed to the growth of our public sector assurance team, and we believe this outcome reflects the feedback our clients and the PSAA have given us on the quality, efficiency and effectiveness of our service. This is also evidenced by our AQRT scores, which is discussed below. We are committed to the public sector and going forward we are extremely pleased that we are the leading Big 4 firm delivering audit services to the local government sector.

Between now and the end of December 2017, PSAA will be consulting with audited bodies on the proposed appointed auditor to determine the allocation of audit clients. We will be actively participating in the process, with our primary focus on ensuring the allocations safeguard independence, objectivity, and ensuring we are able to continue to deliver high quality, efficient and effective audits.

In the meantime, we are continuing to work to support our clients in preparing for the faster closure of accounts from the 2017/18 financial year. We recognise the journey our local government clients are making to transform and ensure sustainable public services. We are committed to work with our clients to share our insights from the vast range of services we provide in the public sector.

Financial Reporting Council's (FRC) Audit Quality Inspection Results

Executing high quality audits continues to be our highest priority. Ensuring that we deliver high quality audits is fundamental to our business and our public service obligation. We are therefore committed to a significant and sustained investment in audit quality.

EY's investment continues to be reflected in the FRC's inspection results

The firm is subject to external inspection by the FRC's Audit Quality Review Team (AQRT), the ICAEW's Quality Assurance Department (QAD) and the Public Company Accounting and

Oversight Board (PCAOB) from the US. The AQRT's scope is the audits of FTSE 350 and other public interest companies in the UK and it issues public reports outlining its work and conclusions.

We are delighted that 88% of our audits inspected by the AQRT this year were assessed as requiring no more than limited improvements and that once again no audits subject to review were identified as requiring significant improvements. The results of the FRC AQRT report published in June 2017, as presented in the chart below, reflect our sustained investment in audit quality.

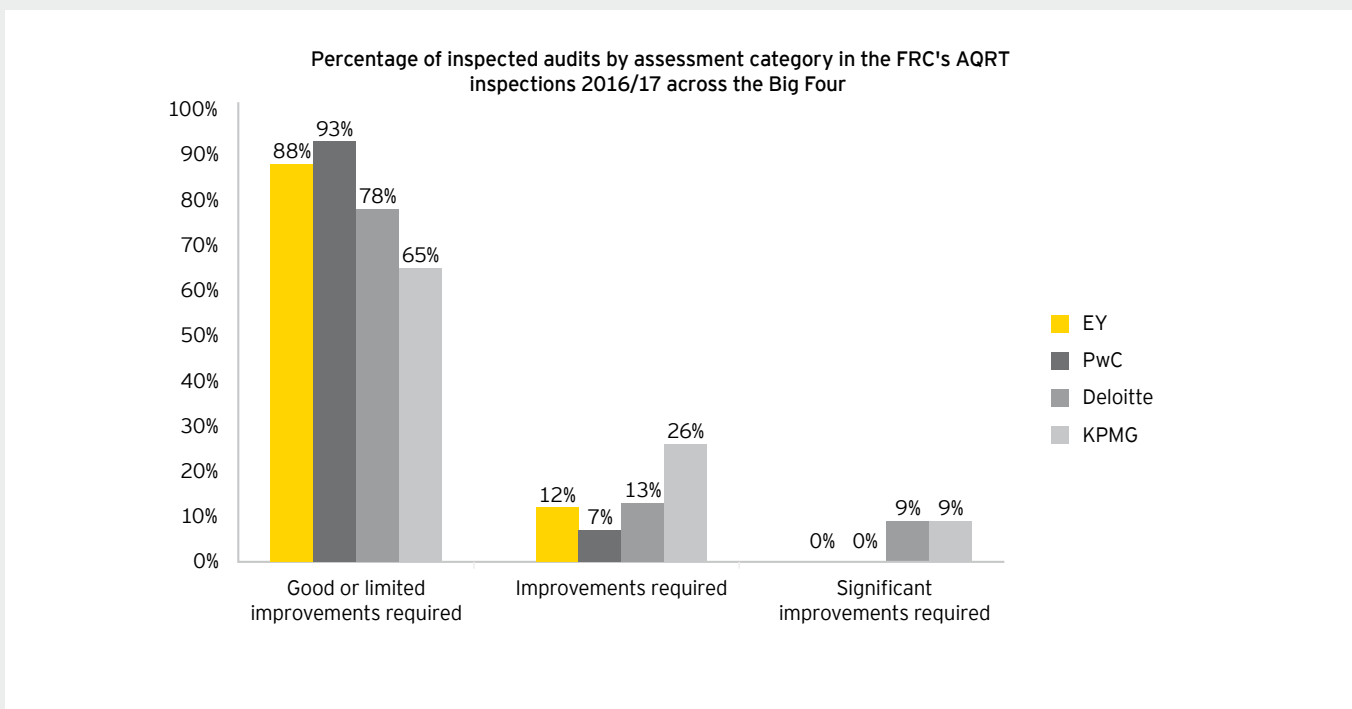


Figure 1. Bar chart showing the FRC Audit Quality Review Team inspection results for EY, PwC, Deloitte and KPMG

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Key questions for the Audit Committee

Does your organisation and its partners have in place IT security arrangements which minimise the risk and impact of cyber attacks?

Is your culture allowing women to progress to senior positions?

Are you aware of the commercial activities of your authority? What assurance have you sought on the adequacy of risk identification, effectiveness of risk management and the arrangements for optimising benefits realisation?

Are you assured that all financial considerations have been addressed? Including appropriate due diligence, staying within

state aid rules, understanding the impact on the minimum revenue provision and clarity on the longer term revenue implications of capital investments.

Do you know about the significant commercial activities in the pipeline? What assurance do you have that business cases are robust and realistic?

Has your authority recently discussed and agreed its risk appetite?

Find out more

EY Item Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

WannaCry ransomware attack

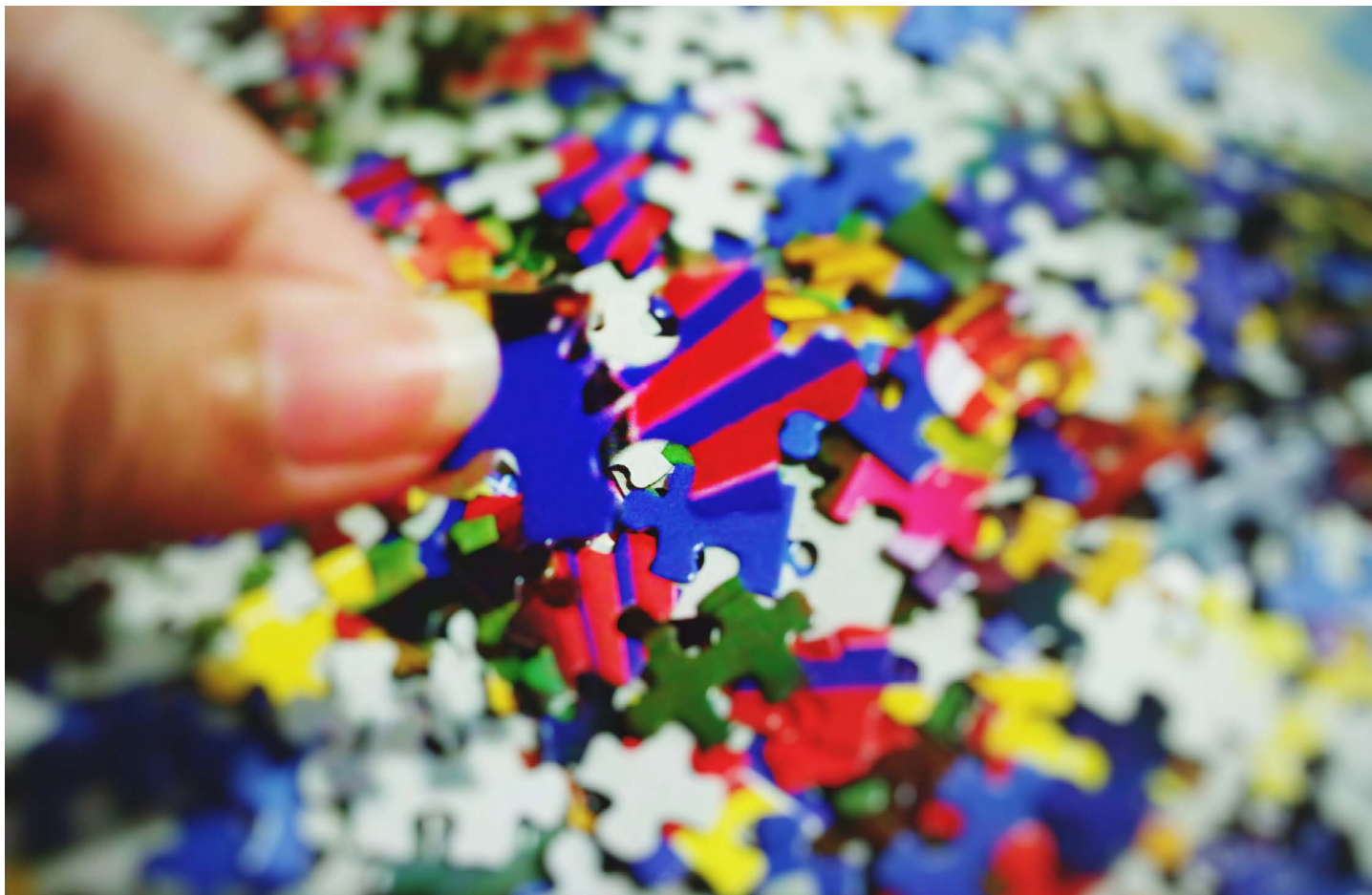
<http://www.ey.com/gl/en/services/advisory/ey-wannacry-ransomware-attack>

Women and leadership

<http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020>

Use of Housing Companies

<http://www.publicfinance.co.uk/feature/2016/10/company-houses-how-councils-are-constructing-new-model-housing>



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ED None

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Report to:	Audit and Governance Committee	Date of Meeting:	6 December 2017
	Cabinet		7 December 2017
	Council		25 January 2018
Subject:	Revenue and Capital Budget Update - Treasury Management Position to October 2017		
Report of:	Head of Corporate Resources	Wards Affected:	All wards
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report provides Members with a review of the Treasury Management activities undertaken to 31st October 2017. Cabinet receives this mid-year review to allow monitoring against the Treasury Management Policy and Strategy statement approved by Cabinet and Council in March 2017. This report is also the second of the ongoing quarterly monitoring reports 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 31st October 2017, 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 31st October 2017 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

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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 October indicates a shortfall of £14k compared to the proportion of the budget to date. If current market conditions prevail an under-recovery of around £25k will be experienced. The Head of Corporate Resources and Head of Regulation and Compliance have been consulted.

(B) Capital Costs

None.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): Under-recovery on Debt Repayment/Net Interest Budget.
Legal Implications: The Council has a statutory duty to review its Treasury Management activities from time to time during the financial year.
Equality Implications: None.

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 Head of Corporate Resources (FD 4930/17) and Head of Regulation and Compliance (LD 4215/17) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None.

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Background to the Report

- 1.1. As recommended under CIPFA’s revised 2001 Code of Practice on Treasury Management in Public Services, the Council’s Treasury Management Policy and Strategy document for 2017/18 (approved by Council on 2nd March 2017) 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 31st October 2017.
- 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 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 31/10/2017 comprise the following:

Overnight Deposits					
Institution	Deposit	Rate	Maturity	On Current Counterparty List?	Rating
	£m	%			
Svenska Handelsbanken	3.000	0.20	n/a	Yes	AA-

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BNP Paribas	3.210	0.22	n/a	Yes	AAA
Invesco	0.920	0.19	n/a	Yes	AAA
Federated Investors	3.280	0.21	n/a	Yes	AAA
Insight	1.290	0.21	n/a	Yes	AAA
Standard Life	1.130	0.20	n/a	Yes	AAA
Total	12.830				
Call Accounts					
Santander	2.000	0.40	95 day notice	Yes	A
Santander	1.000	0.45	120 day notice	Yes	A
Bank of Scotland	3.000	0.60	175 day notice	Yes	A+
Goldman-Sachs	3.000	0.75	185 day notice	Yes	A
Total	9.000				
Fixed Term Deposits					
Nationwide	3.000	0.37	17/11/2017	Yes	A
C'wealth Bank of Australia	3.000	0.45	19/02/2018	Yes	A
Total	6.000				
Other					
CCLA	5.000	5.31	n/a	Yes	n/a
Total	5.000				
Total Investments	32.830				

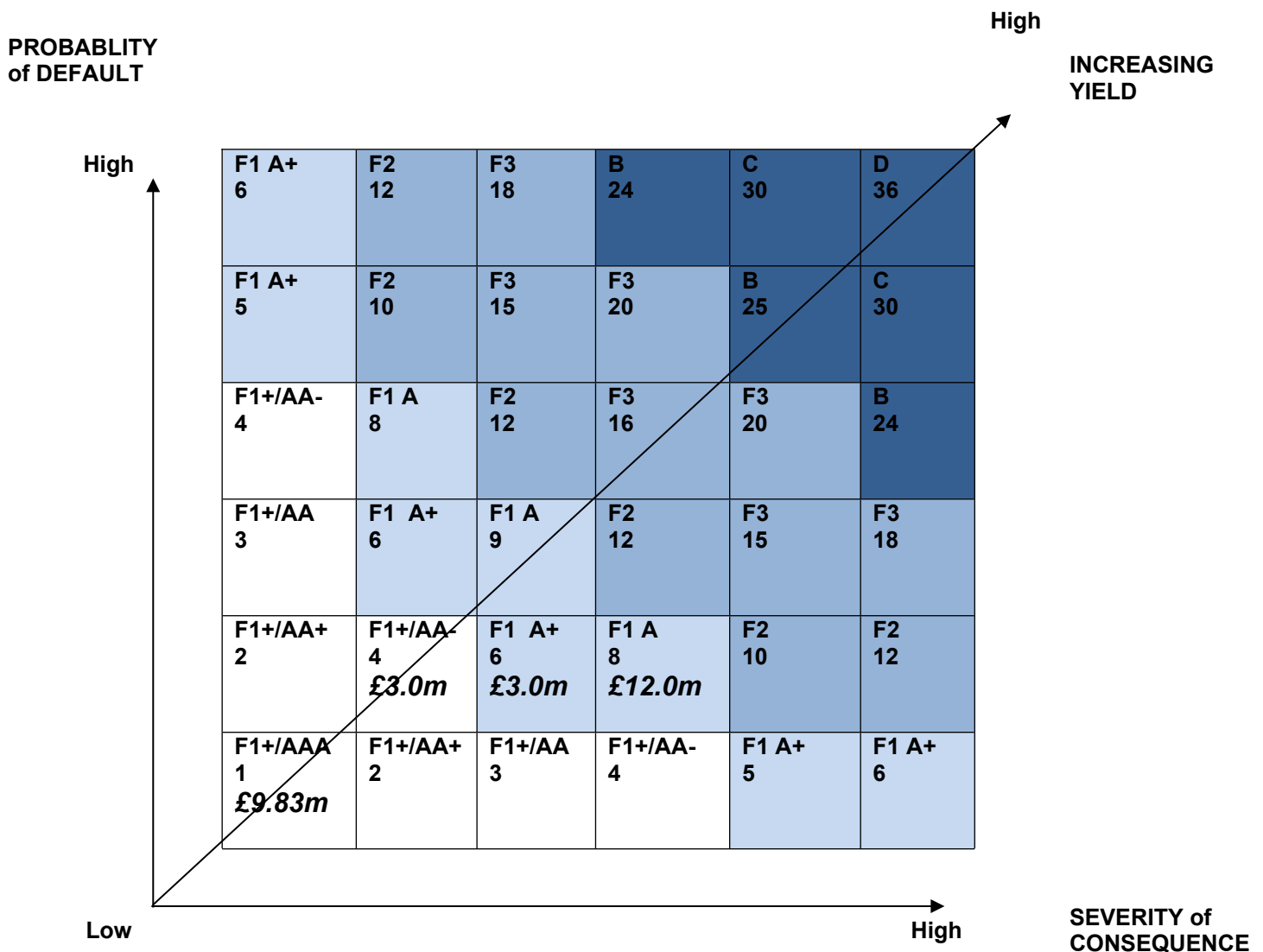
- 2.2. The above cash balances represent the full range of earmarked reserves such as school's balances.
- 2.3. All of the investments made since April 2017 have been with organisations on the current counterparty list. The maximum level of investment permitted in the Treasury Management Strategy in any one institution, or banking group, is currently £25m. Whilst the maximum should be retained, in case economic conditions change, a day to day operational maximum of 10% of the total portfolio is currently being imposed. This will spread the risk of investments 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 2.5).
- 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 as retail units, warehousing, and offices. The majority of properties owned are in the south of the country where the market is

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currently 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 5%. This is seen as a long term investment with the potential for capital growth of the investment as property prices potentially increase. However, when the investment is made fees are deducted from the initial investment hence in the first year any income received covers these fees.

2.6. The Net Asset Value of the Property Fund has increased from 287.77p per unit to 294.60p per unit between April and September 2017, an increase of 2.4% in the value of the Council's investment. The rate of inflation (CPI) to the end of September was 3.0% by comparison hence the value of the investment is being marginally depleted with income received at 5% representing a real return.

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



SEFTON RISK TOLERANCE

INVESTED

LOW RISK

1 - 4

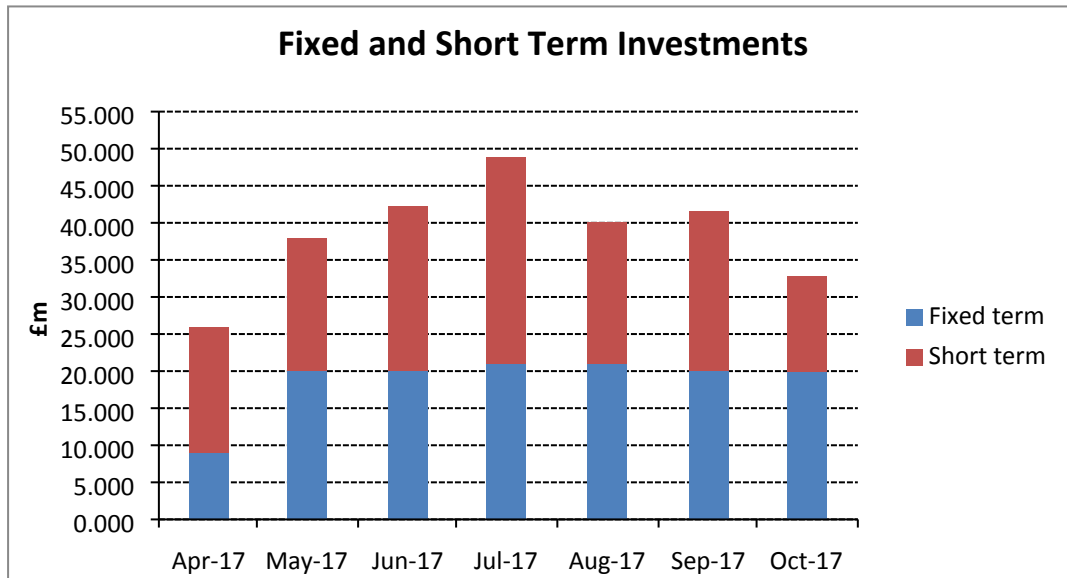
Investment Grade

£12.83m

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LOW - MEDIUM RISK	5 - 9	Investment Grade	£15.00m
MEDIUM RISK	10 - 20	Investment Grade	Nil
HIGH RISK	21 - 36	Speculative Grade	Nil

2.8. The ratio of overnight deposits (short term) to fixed term investments is shown below:



2.9. No new fixed term investments have been made since the last quarter. A deposit of £1m that was placed with Lloyds in a 32 day notice account in July has now matured but was not reinvested. A call was placed on £1m held in a 120 day notice account with Santander to be returned at the end of February 2018.

2.10. Sector, our Treasury Advisors, have supplied the interest rate forecast below:

Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%

"The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

We remain in a very difficult investment environment. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty.

Short term interest rates rose to reflect the rate hike but longer dated rates were pared back on the weaker outlook for further hikes. Political uncertainty and Brexit negotiations are likely to continue to weigh on the economy. With Sterling giving up some pre-hike gains, imported inflation is likely to be a feature for some time, which, along with increased mortgage payments, will keep pressure on household budgets and potentially dampen sentiment."

- 2.11. The Council will continue to maximise any investment opportunities as they arise, but in light of the current cash flow forecast it is not envisaged that any substantial increase in returns can be achieved for the remainder of the current financial year as cash balances available for investment are forecast to be low.

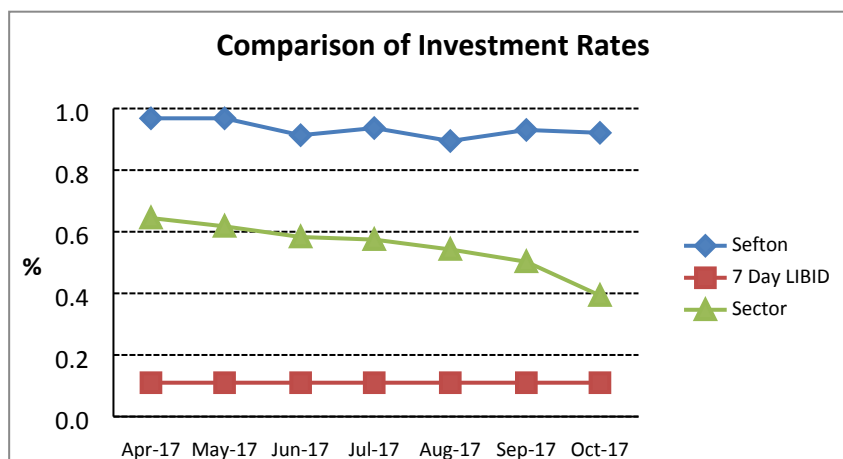
3. Interest Earned

- 3.1. The actual performance of investments against the profiled budget to the end of October 2017 and the forecast performance of investments against total budget at year end is shown below:

	Profiled Budget £m	Actual £m	Variance £m
Oct-17	0.236	0.222	0.014

	Total Budget £m	Forecast Out-turn £m	Variance £m
2017/18	0.375	0.350	0.025

- 3.2. The budgeted investment return for the financial year 2017/18 was set at £0.375m on 1st April 2017. The investment return by the end of the financial year is currently forecast to be £0.350m. The under recovery of £25k and the variance of £14k to the end of October can be explained by declining investment rates during the first half of 2017/18 under the economic conditions described in 2.9 above.
- 3.3. There has been some minor improvement in investment rates since the Bank of England base rate increase was announced in early November. As mentioned in paragraph 2.10 it is not envisaged that improved rates can be taken advantage of before the end of the financial year.
- 3.4. The Council has achieved an average rate of return on its investments that has out-performed the 7 day LIBID and the model portfolio provided by Sector:



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- 3.5. Sefton has recently joined a regional Treasury Management working group for the purposes of sharing professional advice and experience. At the meeting of 28th September, Sefton proposed the sharing of investment information so that our returns can be compared with those of neighbouring authorities. The group agreed that this would be beneficial and initial work to collect the required data should be undertaken with Rochdale taking the lead. It is anticipated that benchmarking will be implemented for 2017/18 year-end reporting.

4. Markets in Financial Instruments Directive (MiFID II)

- 4.1. From 3rd January 2018 the Financial Conduct Authority will be obliged to treat all Local Authorities as “retail clients” under European Union legislation (MiFID II). The client status of the Local Authority relates to its knowledge and experience with regards to the use of regulated investment products and the decision-making processes it has in place for making such investments. The directive is focused on products such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds, including Money Market Funds.
- 4.2. Sefton Council utilises several Money Market Funds for its short term investments. The Council will need to opt up to “professional status” in order to continue to have access to these funds as an investment option as they are not available to retail clients.
- 4.3. A number of applications have now been submitted with supporting evidence in order to secure professional status before the deadline. It is anticipated that the applications will be successful and there will be no requirement to alter investment activity as Sefton’s knowledge, experience and investment processes are of a standard that will allow professional status. Alternative investment products such as reserve accounts with the major banks remain available as a contingency.

5. Revised CIPFA Codes

- 5.1. CIPFA is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November and this will impact the 2018/19 Treasury Management Policy and Strategy.
- 5.2. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact. Any significant changes will be considered at the next update.

6. Prudential Indicator Monitoring

- 6.1. Prudential indicators are an integral component of measuring how prudently a Council is acting with regard to its finances. They were introduced into all local authorities (by CIPFA) following the Local Government Act 2003. A number of measures/limits/parameters including capital financing, external debt, impact on council tax, and treasury management are set prior to the start of the year and are monitored on a quarterly basis.

6.2. As at the end of September 2017 (Q2) none of the prudential indicators had been breached.

7. Capital Financing Strategy

7.1. The Council is currently internally borrowed. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as an alternative measure. This strategy is prudent as investment returns remain low whilst reducing the Council's cost of borrowing. This position also reduces counterparty risk.

7.2. Due to the timing of grant income and revenues received during the financial year the profile of the Council's cash balances is front loaded. External borrowing in the short term may be required to maintain the Council's cash flow during March 2018 when it is forecast that £5m of borrowing may be required. Short term borrowing from another Local Authority with current offer rates at 0.55% over a 3 month period would incur an estimated £7k in additional loan charges.

7.3. Officers will continue to monitor the cash flow and report to members by the end of next quarter regarding any requirement for additional borrowing in March 2018.

7.4. The potential requirement for borrowing in 2018/19 will be assessed once the 2018/19 cash flow is finalised. The timing of any borrowing needs to be mindful of the current position of the Bank of England regarding future interest rate rises and its impact upon the Medium Term Financial Plan, and advice will be taken from Sector. The positive effect upon investment income received will also need to be assessed.

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Report to:	Audit and Governance Committee	Date of Meeting:	6 December 2017
Subject:	Corporate Risk Management		
Report of:	Chief Internal Auditor	Wards Affected:	All
Cabinet 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, the Corporate Risk Register has been fully updated, with one risk closed, one de-escalated, and one new risk identified.

The Corporate Risk Management Handbook has been updated and is also presented for its annual approval.

Recommendation(s):

Members are requested to:

- (1) Consider the updated Corporate Risk Register, in particular noting the nature of the major risks facing the Council, and the controls and planned actions in place to mitigate these.
- (2) To approve the updated Corporate Risk Management Handbook.

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

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There are no direct capital cost implications arising from this 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.

Contribution to the Council's Core Purpose: The management of control of risk is a major enabler to the delivery of the Council's core purpose as set out below

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

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 4937/17) and Head of Regulation and Compliance (LD 4222/17) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

No external consultation has been undertaken.

Implementation Date for the Decision

Immediately following the Committee meeting

Contact Officer:	Laura A. Williams
Telephone Number:	0151 934 4051
Email Address:	laura.williams@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- Corporate Risk Register
- Corporate Risk Management Handbook

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 Risk Management is defined as 'systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses'.
- 1.2 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 scope to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management, and embedding this into the organisation.
- 1.3 An updated Corporate Risk Register is presented at each meeting of this Committee. The Corporate Risk Register has been reviewed by senior officers so as to ensure that this reflects the most significant risks facing the Council, and shows how the Council is managing these. This should give members assurance that there is a robust corporate approach to the management of the most significant threats to the achievement of the Council's objectives. The updated Corporate Risk Register is set out at Appendix A, for noting by the Committee.
- 1.4 At the December 2016 meeting of this Committee, the Corporate Risk Management Handbook was approved, and it was agreed that this would be presented annually for approval, following review. The Handbook, which is set out at Appendix B, has been significantly expanded so as to include more guidance in the completion of risk registers.

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2. Key Developments

- 2.1 Since the September 2017 meeting of the Committee, the Corporate Risk Register has been fully reviewed and updated.
- 2.2 This has resulted in the closure of one risk, the de-escalation of one risk, and the addition of a new risk:
 - The Council is now Public Services Network (PSN) compliant and therefore this risk (formerly B2, Corporate Resources) has been closed.
 - An increase in funding in respect of systems to mitigate severe weather risk (A1, Locality Services - Commissioned) has resulted in a de-escalation of risk from the Corporate Risk Register to the Service Area Register.
 - A new risk (B4, Locality Services - Commissioned) has been added to the CRR. This relates to investment in the highway network. As a consequence of deteriorating highway / network assets, current funding is considered significantly insufficient; it is also noted that inclusion on the CRR may be beneficial in relation to the Department for Transport's 'Incentive Fund'.

CORPORATE RISK REGISTER

Audit and Governance Committee (6th December 2017)

Version: 16/11/17

Details of Risk					Inherent Risk (internal use only)			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Trigger	Result	Owner	Probability	Impact	Score		Probability	Impact	Residual Score	Actions	Action Owner	Target Date	Revised Target Date	Action Status
A. CUSTOMER PERSPECTIVE																
	None															
B. FINANCIAL & RESOURCES																
B1	Contravene Payment Card Industry Data Security Standards (PCIDSS)	Card Data Security Breach	Potential for fines and the removal of the facility to process payments by debit / credit card.	HoCR	4	5	20	Obtain PCIDSS compliance across both the Council & Arvato.	4	5	20	Need to ensure that Arvato carry out the required work to achieve compliance. Maintain dialogue with card acquirer so that they are aware of progress and keep the Council at 'safe harbour'	HoCR	Dec-17	N/A	
B2	Ability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton.	A major incident occurs affecting the Council or the Borough. The response is inadequate or there are questions about why the incident was not prevented. This risk is accentuated as the government has determined the terror threat level as "severe".	Damage/casualties. The Council faces criticism and potential external review.	HoCR	4	5	20	Emergency Response Manual and Emergency Duty Co-ordinators in place. Two senior managers have received Gold Commander training. Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside is in place. Humanitarian volunteers in place and trained in 2017. Plans for response and recovery are the subject of ongoing review and update, particularly in light of the government's assessment of the terror threat level as "severe".	4	4	16	Review of response and recovery is being undertaken with the objective of strengthening the current arrangements in the light of the terror threat level being at "severe"(and having been at critical for a short period); further to this review appropriate measures will be undertaken to ensure operational capability in this area.	HoCR/SLB	Apr-18	N/A	
B3	Dedicated Schools Grant High Needs Funding for Special Educational Needs	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 to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope. The number of pupils needing High Needs top-up funding is increasing year on year, in-house provision is almost at full capacity and external provision is very expensive (3 or 4 time more expensive than in-house provision).	Overspending occurred in 2016/17 (£1.5m) and there is a chance of continued overspending in 2017/18 and beyond.	HoS&F	4	5	20	Engagement with Head of Schools and Families and the SEN team Managers on how costs can be contained. Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing 3 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 to special schools to try to reduce costs. DfE has also provided each LA with additional grant funding to help provide additional capacity to undertake strategic needs assessment of SEN provision (£104k for Sefton) - this should help identify strategy to support cost pressure going forward.	4	5	20	A strategic overview is required to understand the makeup of the High Needs school population / number of schools required / number of places required and available / population trend for children being diagnosed with SEND within each area / an action plan to move to a position where the LA has the right number of schools (with viable budgets) to support children's needs at an affordable cost in line with available resources. A meeting with all relevant Senior Managers has taken place (September 2017) to determine a way forward.	HoS&F	Dec-17	N/A	

CORPORATE RISK REGISTER

Audit and Governance Committee (6th December 2017)

Version: 16/11/17

Details of Risk					Inherent Risk (internal use only)			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Trigger	Result	Owner	Probability	Impact	Score		Probability	Impact	Residual Score	Actions	Action Owner	Target Date	Revised Target Date	Action Status
B4	Failure to adequately invest in the Highway Network and associated assets	Deterioration of highway assets	Potential increase in claims; financial and reputational risks) Potential increase in accidents resulting in injury and/or death	THI SM	4	5	20	Essential work is prioritised within available budget	4	4	16	Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk Regular updates provided to Cabinet Member Reports submitted to Strategic Capital Infrastructure Group to seek additional funding to maintain or replace highway network/assets.	THI SM	Ongoing	N/A	

Corporate Risk Management Handbook

Risk and Audit Service
December 2017

Contents

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16	Annual Assurance
17 - 18	Completing the Risk Implications on Committee and Executive Reports
19 - 26	Annex A <ul style="list-style-type: none"> • Risk Management Strategy • Risk Management Policy Statement • Roles and Responsibilities
27 - 28	Annex B <ul style="list-style-type: none"> • Risk Register Template

Introduction

As '**One Council**' we aim to make Sefton a great place to be.

Our vision focuses on six key priorities:

- Economy
- Environment
- The Most Vulnerable
- Health and Wellbeing
- Resilient Communities
- Reshaping the Council

We need to make sure that risk, that prevents or compromises the achievement of our aims and objectives are managed and adequately monitored.

We need to understand the positive and negative aspects of risk as there is potential for events to create opportunities as well as threatening success.

This approach is a fundamental element of the Council's Code of Corporate Governance and forms part of the Annual Governance Statement.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. Whilst it is recognised that it cannot eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable assurance of effectiveness.

On an ongoing basis, the system of internal control is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Annual Governance Statement submitted to the Audit and Governance Committee will include a review of the effectiveness of the risk management process.

Defining Risk

‘Factors, events or circumstances that could prevent or negatively impact on the achievement of the Councils strategic and service plan objectives’

Risk could lead to the Council encountering significant or serious legal, reputation and financial harm. The possibility of ‘risk’ needs to be integral in all planning and decision making and be considered as an integral part of all performance management.

In addition, the performance of strategic partnerships, key suppliers, schools and major projects are important elements that effect the achievement of Sefton’s strategic targets.

Considering the risk profile and changes to scoring enables those that are high or very high to be identified so that they can be escalated and included in Sefton’s Corporate Risk Register. Risks that have factors which lead to a score increase can also be identified before they become ‘high’ so that action plans can be implemented appropriately.

Inherent or gross risk is defined as the assessment of the risk, highlighted as a numerical score, ignoring the effect of the existing controls. Residual or net risk is the assessment of risk, again highlighted as a numerical score, left after the current controls are implemented. The residual score should always be lower or at worst the same value as the inherent score, as this reflects the effectiveness of the current controls. Where the inherent and net score are the same it is indicating that there are either no key controls in place or that the identified key controls are ineffective at mitigating risk. Further actions to manage the risk are normally required to reduce the risk score to a manageable level. The scale and extent of further action required is dependent on the Council’s appetite for risk and further guidance is provided below.

The identified risks and current controls should be regularly monitored to ensure that they are effective. In addition where there are further actions to reduce the risk score to at or below the Council’s risk appetite these should be regularly reviewed to ensure that the actions are implemented in a timely manner and they are as effective as originally intended.

The formal risk registers in place, the regular monitoring and implementation of actions are all evidence that help to demonstrate the implementation of risk management within the Council.

Risk management arrangements will be periodically reviewed based upon the severity of the risk together with an annual review of the strategy and process.

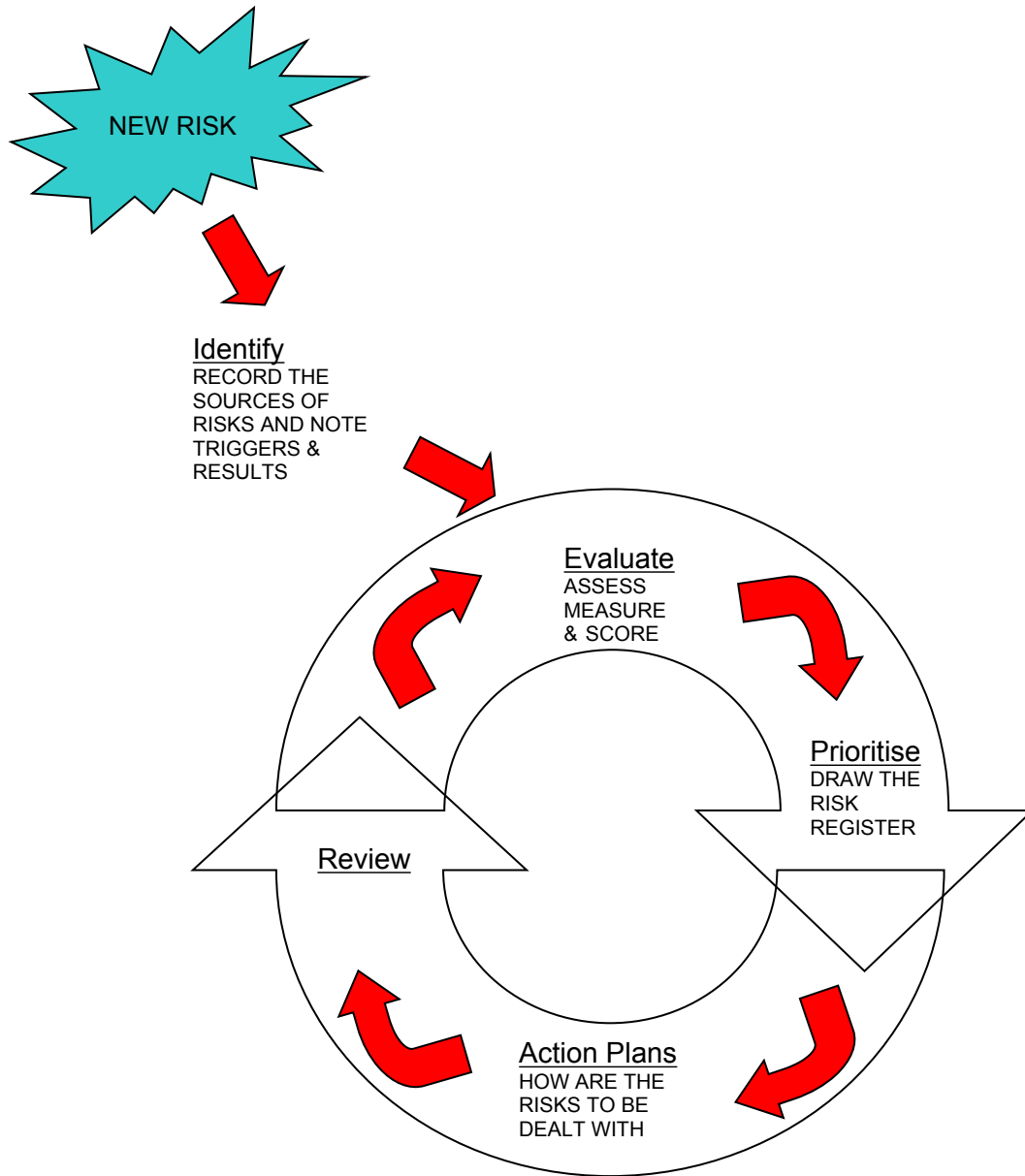
Benefits of Risk Management

- Alerts Councillors and officers as to the key risks that may threaten achievement of the Council's plans
- Enable risk mitigation and management
- Provide appropriate assurance to Councillors, relevant Committees and officers as to the adequacy of arrangements and enhance awareness of risks and appropriate approach
- Demonstrates accountability to regulatory bodies
- Create focus towards objectives
- Help inform and manage change
- Give flexibility in responding to issues
- Support innovation
- Improve transparency and justify decisions
- Inform the budget and MTFP process
- Identify the appropriate level of controls
- Share knowledge in controls
- Protect reputations

Risk Management Process

The process described below details the stepped approach to identifying, assessing and recording risk. This is also represented by the following diagram:

Risk Management Process Model



Risk Identification

Officers should devote sufficient time to identifying risk, as this is the more complex area of risk management. The aim of this stage is to identify and log in a risk register the key risks that could prevent the Council from achieving its objectives. The objectives could stem from the business plan or the Council's vision or the objectives for a project. It is important to have a clear shared understanding of the objectives before you start to assess the risk otherwise the risk identification process is likely to be ineffective.

You should ensure that relevant staff to the project or service area are involved in the risk identification process to ensure that a holistic assessment of risk is obtained and gathered.

Risks are normally identified using a systematic approach by considering risks by type such as legal, reputational, financial for example using the Risk Wheel below. Not all risk types are applicable in every assessment of risk however it is a useful tool to run through at each risk identification session. Both internal and external factors that will impact on the achievement of the Council's objectives need to be considered. Once the risk is identified then a structured process can be implemented to ensure that the risk is fully evaluated and appropriately managed.

Risk Wheel



An ideal method to identify risks is through brain storming sessions with relevant staff or where this is not possible through interviews on a one to one basis. Risks should be recorded as an uncertainty and the language used should reflect this for example failure to achieve business plan objective.

Key Points

- Keep it simple
- Prioritise the risks in the risk register with the highest scoring risks at the front of the register and the rest of the risks in descending order
- Consider external and internal factors including risk shifting across services

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- Consider tried and tested methods and best practice
- Ensure there is a clear link between objectives and risks
- Revisit regularly to ensure the insignificant risks stay that way
- Ensure that responsibilities for risk management are delegated to named individuals

Potential Risk Areas – (examples, not exhaustive)

- Managing change
- Reputation damage
- Legal compliance
- Government policy
- Health and safety
- E- commerce
- Staff retention
- Integrity of staff
- Fraud
- Security of funding
- Debt management
- Disaster recovery
- Financial external regulators
- Ethics / culture
- Funding availability
- Physical disasters
- Data integrity
- Operational
- IT failure
- Treasury management
- Stakeholder pressure

Trigger and Result

The risk identification process should consider and document the triggers (root cause of the risk) and the results (consequences) of risk which add context and an understanding of the dynamics of that risk. The defining of the trigger and results aids the identification of appropriate controls and mitigating actions that can be implemented to prevent the risk occurring or mitigate the impacts or support speedy recovery. Identifying the result creates the understanding of the impacts should the risk be realised.

Triggers are recorded as a statement or a factual event for example a change in government policy. There may be multiple triggers for a risk and care should be taken as to whether they should be recorded together or as separate line in the risk register and scored differently as often the risk scores and the controls used to manage the risk with more than one trigger are different. A common pitfall at this stage is confusing when a risk is a trigger and vice versa. Time should be spent ensuring that the relationship between the risk and trigger is clarified and understood.

The results of the risk are the consequences of the risk occurring for example loss of revenue. There are often multiple consequences of the risk which should be recorded and will help to shape the scoring of the risk.

Risk Ownership

The effective management of risk requires that each risk should have a named owner this is to ensure that ownership of the risk is clearly identified and accountable. Ownership should be vested at individual officer level using their post title and not at team level or entity level.

Risk Assessment – Scoring

Risks will be evaluated in accordance with a 5x5 scoring matrix, which is an industry standard approach. The Risk Register template (*Annex B*) should be completed in line with the scoring below.

Select a score from **Likelihood** and a score from **Impact** and then multiply them together. This means that the impact is multiplied by the probability; the worst case scenario would be a catastrophic impact (score 5) multiplied by a very high probability that it will happen (score 5) giving a total score of 25.

The initial risk assessment scoring identifies the inherent or gross risk values which ignores the controls in place and should in the vast majority of cases be higher, and in a small minority of cases the same, as the residual risk score. The assessment should take into account previous history of similar risks and their impact as well as consideration of whether action would perhaps have automatically been taken to address the risk.

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Table 1 – Risk descriptors for likelihood

Likelihood	Score	Probability	Time period	Certainty
Highly Probable	5	>90%	Once in three months	Almost certain
Probable	4	30 to 90%	Once in a year	More likely than not
Possible	3	10% to 30%	Once in five years	Fairly likely
Unlikely	2	3% to 10%	Once in ten years	Unlikely
Remote	1	<3%	Not in 50 years	Extremely unlikely

Table 2 – Risk descriptors for impact

Level of impact	Score	Description	Symptoms (applicable in isolation or collectively)
Catastrophic	5	Total failure of systems and services	<ul style="list-style-type: none"> Total system dysfunction Total shutdown of services Financial loss in excess of £1 million Officers/Members resignation / removal Fatality
Significant	4	Disruption of all service areas	<ul style="list-style-type: none"> All operational areas of an area affected Financial loss up to £1m Sustained adverse publicity in national media Member Dissatisfaction Significant Injury
Moderate	3	Disruption of several operational areas	<ul style="list-style-type: none"> Disruption of a number of operational areas Financial loss up to £100K Significant adverse publicity in national media Injury – lost time Injury – Compensation claims
Minor	2	Some disruption but can be managed	<ul style="list-style-type: none"> Some service disruption but manageable through altered operational routines Financial loss up to £40k Significant adverse publicity in local media Minor injury – no time lost
Insignificant	1	No real interruption to service	<ul style="list-style-type: none"> No interruption to services Minor industrial protest Financial loss up to £20k Minor adverse local publicity Incident – no lost time

Table 3 - Risk Evaluation Scoring Matrix

		LIKELIHOOD				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
IMPACT	Catastrophic 5	5	10	15	20	25
	Significant 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5

Existing Controls

In this section of the risk register identify the **existing** controls that are in place that are being used to mitigate the risks. These are the specific, relevant controls used to manage the risk.

Controls are defined as “any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved”.

In practical terms controls can be any action that is undertaken from selecting experienced qualified staff to using external providers to give advice to formal procedure manuals. A list of examples of key controls include but not exhaustively:

- Recruitment of qualified experienced staff
- Recruitment procedures
- Business Plan approved by Cabinet
- Team meetings
- Financial procedures
- Formal consent by service users
- Bank reconciliations
- Cabinet approved policies

Residual Risk Score

Following the identification of the existing controls, an assessment of the residual risk score should be undertaken. This score directly identifies the effectiveness of the existing key controls and indirectly the priority to complete further action.

Where the existing controls are ineffective or only provide limited mitigation the residual risk score could be the same or a small reduction against the inherent risk score.

Consideration of risk scores assists management in prioritising resources to mitigate risks. The following table outlines the options normally available for mitigating the risks.

Table 4 - Options for mitigation of risk

LEVEL	Options for mitigation of risk
MAJOR	<ul style="list-style-type: none"> • Terminate activity • Treat • Transfer
MODERATE	<ul style="list-style-type: none"> • Treat • Transfer
MINOR	<ul style="list-style-type: none"> • Treat – where cost is not prohibitively expensive • Tolerate

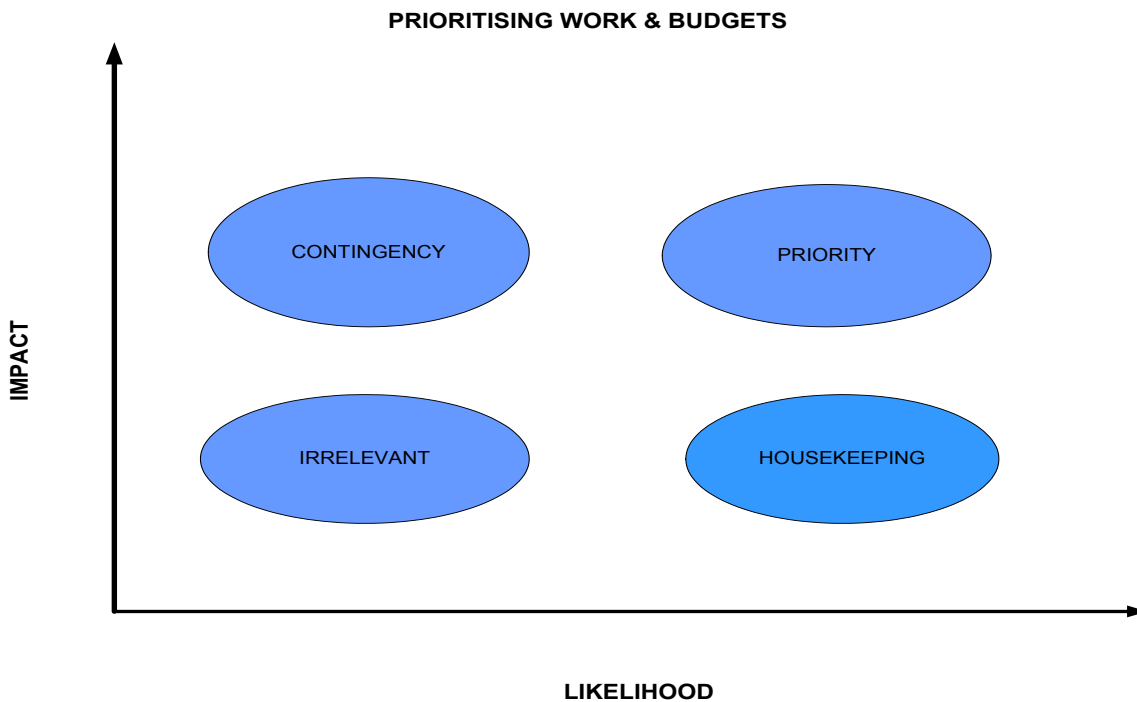
There are four standard options for mitigating risk and these are:

- **Terminate** - can you avoid the activity as the risk is unacceptable due to consequences due to the impact on reputation, financial loss or death? This normally applies to risks with very high residual risk scores.
- **Treat** - can you mitigate the risk? the checks and balances which are built into our everyday business processes (the main type of mitigation)
- **Tolerate** - can you accept the risk? This normally applies to very low residual score risks only.
- **Transfer** - can you transfer the risk? For example through an insurance programme.

Proposed Actions to Reduce Residual Risk Score

After identifying the residual risk score there should be consideration as to whether further actions are required to reduce the residual risk score to the Council's risk appetite. Risk appetite will vary dependent on whether the activity or objective's importance to the Council. The risk owner is responsible for ensuring that reasonable actions to further mitigate the risk score to the Council's appetite are identified, allocated and implemented in a timely manner.

Evaluation - resource allocation / prioritisation



The diagram above illustrates how resource allocation should be viewed in terms of the risk evaluation mechanism. Clearly, high impact / high likelihood risks require resources to be allocated to mitigate risk as a priority.

Response and Assurance

Response

- Identify how each risk is to be dealt with
- Ensure this reduce the level of risk
- Assess whether the control is cost effective and does not exceed the cost of the risk being realised
- Create an action plan with a named owner
- Ensure action plan is managed
- Don't stifle with control

Assurances

- Is the assurance acceptable
- Are there are effective controls in place
- How are the controls tested
- Is there an auditable trail to demonstrate risk management

Action Planning

If it is identified that the residual risk score is deemed to be above the Council's risk appetite and should be reduced, further actions should be designed so that when they are implemented they reduce the residual risk score to the deemed risk score. In determining the mitigation required to manage a risk, regard must be had to the proportionality of the cost of the mitigation to the cost impact if the risk occurs, i.e. it would make no sense if the cost of control exceeded the cost of impact.

A risk action owner, who may not be the risk owner, should be assigned as the named owner and an achievable target time scale for completion should be formally agreed. It is unacceptable to set a target date of "ongoing" as this does not facilitate the effective management of action delivery.

Risk Monitoring

Risk registers should be monitored on at least a quarterly basis at all levels of management, i.e. SLB, service, division, project to ascertain:

- If all key risks are included
- If new controls need to be put in place
- If any risks can be closed
- The progress in implementing agreed actions. The completed actions should be transferred to the existing key controls column
- If residual risk scores should be rescored, e.g. to reflect completed actions

Managers should have regard to potential risk at all times and should use the risk management approach to help them analyse and manage such risks at the point they are identified. Managers should not wait for the next formal quarterly review.

Risk Reporting

Where issues are identified in undertaking action to mitigate risk, or where the risk has reduced, then the risk owner should consider either escalating a risk upwards (e.g. from service area risk to corporate risk register) or downscaling the risk (e.g. from corporate risk register to service area risk register).

Where to record and escalate a risk

Identify Risks			
Assess Each Risk			
Evaluate Each Risk			
	Minor	Moderate	Major
*	Record In Operational Risk Register	Record in Service Area Risk Register	Record on Corporate Risk Register
	Allocate an Owner - Section Head and / or lower tier management as appropriate	Allocate an Owner - (HOS) and / or Section Head	Allocate an Owner - Exec Board and / or HOS
	Manage the risk - consider 4 T's which apply	Manage the risk - consider 4 T's which apply	Manage the risk - consider 4 T's which apply
	Define actions, responsible officers and timescales	Define actions, responsible officers and timescales	Define actions, responsible officers and timescales
	Report to Section Head	Report to DMT	Report to SLB & Members as appropriate.
	Review the residual risk	Review the residual risk	Review the residual risk
	Re-assess	Re-assess	Re-assess

* In determining where the risk is recorded, please note:

- The distinction between 'Inherent' and 'Residual' risk; based on the prevailing control environment (as per the 'Key Controls') column of the register, it is the 'residual' risk that determines where the risk is recorded.
- The importance of ensuring that the 'Key Controls' defined against each risk are in place and operate effectively, since reliance is placed on them to reduce the inherent risk value.
- Whilst it is recognised that 'Projects' will include their own designated risk registers and arrangements for reporting and accountability, it is important that the principles in terms of risk evaluation and reporting are still applied; in particular, any project risks scored as 'Major' should always be reported to SLB.
- On a quarterly basis, the Audit and Governance Committee receives a report on the Corporate Risk Register so as to support the Committee in delivering its responsibilities in respect of risk management.

Annual Assurance

The Chief Executive, Executive Directors and Heads of Service will provide annual assurance in respect of the development, maintenance and operation of effective control systems for risks under their control. This will provide a key assurance source for the Annual Governance Statement which is prepared by the Council as part of the annual Statement of Accounts.

Risk Management in other Business Processes

The risk management processes defined in other business processes should be complied with. Other business processes include:

Councillors' Decision Making

- Risk associated with proposals must be considered and be included with the standard reporting procedures for Committee.

Service Planning

- Senior managers must consider the risks to achieving their service plans and ensure that these are recorded in the Service level Risk Register.
- Growth and saving proposals should include a risk assessment.
- Reports requesting approval of annual and medium term plans will include risk assessment.

Business Continuity

- The Civil Contingencies Act 2004 places a statutory responsibility on the local authority to establish a system of Business Continuity Management to ensure that critical services continue to be delivered at a time of disruption.

Project Management

- Risk and issue management is a key part of effective Project Management and should be recorded throughout the life time of the project, and link to service and corporate risk registers.

Risk Management Awareness

- The Council is committed to ensuring that all members, officers and partners (where appropriate) have adequate knowledge of the Council's Risk Management approach and this will be delivered through workshop, briefings and internal communication channels.

Completing the “Risk Implications” requirements For Committee and Executive Reports

1. Reports dealing with Key Decisions contained in the Forward Plan

A Key Decision is defined as follows:

- Any executive decision which is not in the Annual Revenue Budget or Capital Programme approved by the Council and which requires a gross budget expenditure, saving or virement of more than £100,000 or more than 2% of a Departmental Budget, whichever is the greater.

Or

- Any decision where the outcome will have a significant impact on a significant number of people living or working in two or more Wards.
 - *Such reports would require a risk assessment exercise to have been carried out prior to the report being written.*
 - *The associated risks would need to have been identified and scored according to the prescribed process.*
 - *Mitigating controls should be identified and a ‘net risk’ score assigned.*
- Any risks above low priority should be set out within the body of the report along with any proposed controls to further mitigate the risks.
- The ‘Risk Implications’ comment should refer to the section of the report dealing with risks.

2. Other Committee and Executive Reports

Reports for decision should contain a comment in respect of risk implications. A number of possible scenarios might apply

- A full risk assessment has been carried out
 - The exercise should be referred to in the body of the report. The ‘Risk Implications’ comment should refer to the appropriate section of the report.*
- No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Service Level approach to risk management
 - The main body of the report should state this, along with the main risks, control measures and proposed new controls. The ‘Risk Implications’ comment should refer to the Service Risk Management process.*
- The risks are not, or only partially addressed, either separately or as part of the Service Level approach.
 - The ‘Risk Implications’ comment should state this. It should list the potential key risks, and should state that a separate exercise will be undertaken and reported to the relevant Cabinet Member.*

Reports for information or decision where there are no risk implications should include the phrase *No risks have been identified* within the 'Risk Implications' comment.

Examples to assist when completing the 'Risk Implications' requirements on Committee Reports

Having completed your risk evaluation, the following standard phrases may assist you with describing the outcome of your risk assessments (choose the most appropriate statement):

- 1) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The details are referred to in the main body of this report.*
- 2) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The residual risk has been entered to the Service / Corporate Risk Register (delete as appropriate). The details are referred to in the main body of this report.*
- 3) *A Risk Assessment has been undertaken. The most significant risk is in not meeting the required outcomes of this report. This is referred to in the main body of the report.*
- 4) *No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Departmental approach to risk management.*
- 5) *The risks are not, or only partially addressed, either separately or as part of the Departmental approach.*

Annex A

The Risk Management Strategy

The Risk Management Policy

Roles and Responsibilities

Risk Management Strategy

1. The aim of this strategy is to ensure that within Sefton, risks are identified and managed effectively and are aligned with the ISO 31000.2009 standards.
2. Risk Management is to be an integral part of the planning and decision-making processes of the Council.
3. The Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
4. As Risk Management is integral to the planning and decision making processes, risks will be identified by all levels of management and staff to ensure that the process reflects both a top down and bottom up approach.
5. The process will be driven by a framework of monitoring, review and reporting both internally and by External Audit.
6. Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level (e.g. Management Assurance Framework) and operationally (e.g. procurement 'Risk Assessment' system), it is recognised that there is scope to develop a more integrated risk management approach that facilitates provision of a clear 'golden thread' that links overarching strategic objectives (as per One Council objectives) with Service Area objectives and then to specific (section based) operational activities. As such, the 'three tier' approach ensures that:
 - All activity throughout the Council is focussed towards supporting strategic objectives, and management are better able to allocate resources efficiently (potential to generate savings).
 - There is a clear alignment between management accountability and responsibility (e.g. The Chief Executive / SLB should only be concerned with the most significant risks).
 - All staff, at all levels, operate with a greater understanding of how their role is valuable to the Council, and the importance of risk mitigation in the fulfilment of their duties (i.e. a fully embedded risk management approach).
7. In order to move towards a more formal, integrated, embedded approach, and recognising that such fundamental changes in approach and mind set cannot be achieved overnight, this strategy sets out a plan to bring together and develop existing risk management practices:

2018 - The Service Area Risk Registers and Section (Operational) Risk Registers are reviewed / moderated (where sectional risk registers are already in place), and where required, sectional risk registers are created

8. In tandem with the above developments, it is important that an according level of training is provided, initially at senior management level, and then cascading down to other managers.

Risk Management Policy

Introduction

This policy defines how Sefton will implement the effective management of risks and opportunities.

Risk management is a central part of Sefton's strategic management and its corporate governance. Effective risk management makes sound business sense and is good management.

The focus of good risk management is the identification and treatment of risk.

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.

Risks have always been managed but it is necessary to formalise this process and to make it transparent, as prescribed by 'Delivering Corporate Governance in Local Government' (CIPFA, 2016).

The Chief Executive and SLB have the responsibility for promoting the strategy throughout the Authority. The Head of Corporate Resources is the designated risk champion.

Objectives of the Risk Management Strategy

1. To embed risk management into the culture and operations of the Council.
2. To promote risk management as an integral element of business planning and decision making and performance management.
3. To maintain an effective process of key risks identification, analysis and control.
4. To manage risk in accordance with best practice.
5. To anticipate and respond to changing requirements whether political, economic, social, technological, legislative or environmental (PESTLE)
6. To ensure that there is clear accountability for both the ownership and cost of risk and the tools used to effectively reduce risk.
7. To improve governance and raise awareness of the need for risk management by all those connected with the Council's delivery of services.
8. To increase organisational resilience.

9. To improve stakeholder confidence and trust
10. To reduce the overall cost of risk

The Council aims to achieve these objectives by:

1. Establishing clear roles, responsibilities and reporting lines within the Council for Risk Management.
2. Developing a common approach to the identification and analysis of risk and evaluating the most cost effective method of treating each significant risk identified.
3. Developing a framework for allocating resources to identified priority risk areas.
4. Reinforcing the importance of effective risk management through training and providing opportunities for shared learning.
5. Incorporating risk management considerations into the Council's decision-making, business planning and performance management processes.
6. Monitoring risk management and internal control arrangements on a regular basis.
7. Reporting to Members and stakeholders on the effectiveness of the strategy.

Key Member Roles and Responsibilities

All Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council face and will be made aware of how these risks are being managed through the annual strategic and service planning process.

Members should not seek to avoid, or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Members' Key Responsibilities

Cabinet Member with Corporate Services portfolio will be the Council's Member Champion for Corporate Risk Management.

Cabinet

- Approve the risk management strategy and policy
- Monitor the Council's risk management and internal control arrangements through the Audit and Governance Committee.

Cabinet Members with Portfolio Responsibility

- Will work with Heads of Service to ensure effective Risk Management, by developing action plans for the key risks and establishing relevant PI's to measure their performance through the performance management framework.

Audit and Governance Committee

- Will approve the Annual Governance Statement that reflects the effectiveness of the Council's risk management process.
- Will review the effectiveness of the Council's risk management framework, and ensure that it is fit for purpose.

Overview and Scrutiny Committee

- Will review the strategic performance and associated risks of partners, through the powers of the Local Government and Public Involvement in Health Act 2007, and will hold partners to account where appropriate.

Key Officer Roles and Responsibilities

Chief Executive and the Strategic Leadership Board

The Chief Executive and the Strategic Leadership Board play key roles in promoting and embedding risk management within the Authority.

They will:

- Support and promote risk management throughout the Council
- Identify and assess strategic risks on a regular basis

The individual Heads of Service will be responsible for developing relevant action plans for key risks and establishing KPIs to measure their performance.

Head of Corporate Resources

- Will be the lead officer for the Council on Risk Management.
- Maintain an effective corporate risk strategy and policy and, through the Chief Internal Auditor, report to Audit and Governance Committee on the adequacy of the risk management arrangements.

Heads of Service

Heads of Service will demonstrate commitment to risk management by:

- Incorporating the risk management process into service planning processes
- Prepare, review and refresh service risk registers
- Encouraging staff to be innovative and to recognise their achievements.
- Encouraging staff to be open and honest in identifying risks or missed opportunities.
- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- Regularly monitor and review actions plans and associated KPIs to reduce or control the significant risks.

Managers

- Need to understand their role in the risk management process
- Understand risk management and the benefits in order to achieve their objectives.
- Understand how to evaluate risks and when to accept the right risks in order to pursue an opportunity.
- Maintain sound systems of internal control.

All Employees

- Have responsibility for identifying opportunities as well as risks in their day-to-day duties and take advantage of opportunities or limit the likelihood and impact of risks.

Risk Management Coordinator - Chief Internal Auditor

- Co-ordinate and promote the adoption of the risk management processes across the Council
- Challenge risk identification and evaluation
- Annually review the risk management strategy

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Risk Manager

- Manage the 'Risk Management Strategy' to facilitate evolution of the risk management function to a fully embedded system.
- Co-ordinate and maintain the central record of the Corporate Risk Register
- Will attend Service Management Meetings to support the revision of service risk registers and escalated risks on the Corporate Risk Register.

Internal Audit

Internal audit's role is to provide assurance to officers and members on the effectiveness of controls. Internal Audit reflects on the results of the corporate and departmental risk analysis when developing the annual audit plan.

Annex B

Risk Register Template



(name of service) Risk Register								Reported to:							
								Date:							
Details of Risk					Inherent Risk			Existing Controls	Residual Risk			Actions			
Ref	Risk Description	Trigger	Result	Owner	Probability	Impact	Score		Probability	Impact	Score	Proposed Action Plans	Owner	Target Date	Action Status
1															
2															
3															
4															
5															

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Agenda Item 9

Report to:	Audit and Governance Committee	Date of Meeting:	6 December 2017
Subject:	Risk and Audit Service: Performance Report		
Report of:	Chief Internal Auditor	Wards Affected:	All
Cabinet 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 to 22 November 2017.

Recommendation(s):

Members are requested to:

- (i) Note the progress in the delivery of the 2017/18 Internal Audit Plan and the activity undertaken for the period 1 September to 22 November 2017
- (ii) Note the contributions made by the Health and Safety, Insurance and Risk and Resilience teams in managing 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

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 capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
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There are no specific resource implications arising from this report.
Legal Implications: There are no specific resource implications arising from this report.
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose: The Council's Risk and Audit Service is a key enabler to the delivery of the Council's Core Purpose as set out below

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 Head of Corporate Resources (FD 4936/17) and Head of Regulation and Compliance (LD4221 /17) 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:	Laura A. Williams
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Appendices:

The following appendices are attached to this report:

- Risk and Audit Service Performance Report

Background Papers:

Internal Audit Plan 2017/18 (as approved by this Committee on 22 March 2017)

1. Introduction/Background

1.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Head of Corporate Resources.

1.2 The mission of the service is “to deliver a first class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.

1.3 The Service has the following objectives:

- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
- To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans.
- To align the service with the Council’s changing needs.

1.4 In delivering this mission and objectives, the Service encapsulates the following teams:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience

1.5 This report summarises the main aspects of the performance of the Service during the period 1 September to 22 November 2017, and gives members a detailed overview of the following areas:

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

The report concludes by looking ahead to the forthcoming activities being undertaken by the service.

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Risk and Audit Service: Performance Report

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Audit and Governance Committee
6 December 2017

Laura A. Williams MA CPFA
Chief Internal Auditor
Risk and Audit Service
Corporate Resources
Magdalen House
30 Trinity Road
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L20 3NJ

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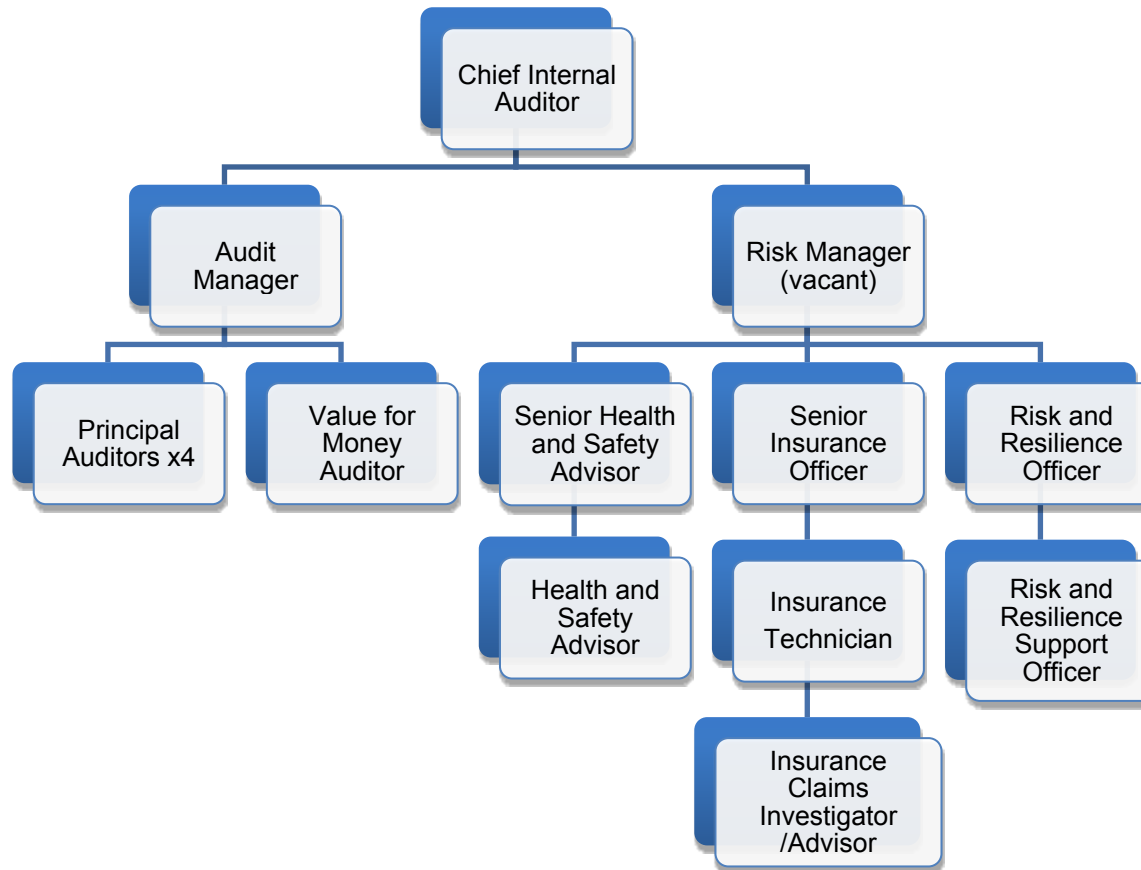
1. Executive Summary

- 1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 1 September to 22 November 2017.
- 1.2 The report covers each of the areas of the service:
- Internal Audit
 - Health and Safety
 - Insurance
 - Risk and Resilience.
- 1.3 The report highlights the following key points:
- It has been 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 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, who reports to the Head of Corporate Resources.
- 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. It 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.

2.4 The service structure is:



2.4 This report summarises the main aspects of the performance of the Service for the period 1 September – 22 November 2017, 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 and Risk and Resilience:
 - work undertaken in the period, with key data provided where applicable
 - developments relating to these parts of the Service.
- 2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

3. Internal Audit: Performance Update

3.1 Work Completed

During the period 1 September to 22 November 2017, 14 audits were completed. These can be summarised as:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Anti-Social Behaviour Unit	Moderate	1	4	0
Aintree Davenhill School	Very good	0	2	0
Church Town Primary School	Good	0	3	1
Meols Cop High School	Good	0	2	1
Accounts Payable	Moderate	3	1	0
Maricourt High School	Very Good	0	2	0
Treasury Management	Negligible	0	0	0
Capital Programme	Negligible	0	0	0
Children Social Care payments (Follow up)	All recommendations implemented			
Bulky Waste and Skip Hire (Follow Up)	All recommendations implemented			
M58 Junction 1 Q2	Assurance Provided			
Liverpool City Region - STEP Grant Q2	Assurance Provided			
Liverpool City Region - AGE Grant Return	Assurance Provided			
Trouble Families Grant H1	Assurance Provided			

The four high priority recommendations made related to:

Anti-Social Behaviour Unit:

- A review of the current standards in terms of evidencing referral response timescales and staff resource should take place which should include an appropriate risk assessment to ensure compliance with overarching strategic objectives and any statutory requirements. Periodic monitoring checks should be undertaken to ensure that requisite standards in terms of response times and evidence recording are achieved.

Accounts Payable:

- Procurement across the Council should be carried out via Agresso in accordance with the Council directive and the alternative I Want Finance Portal software should only be used as an exception and for one off payments only, with the requisite controls in place to prevent duplicate payments.
- In order to improve control there needs to be a separation of duties within the Accounts Receivable Team so that the same staff members must not set up suppliers on Agresso and then issue refunds.
- To further improve the effectiveness of the payment mechanism within the Council, procurement should be carried out using Agresso following the processes outlined in the Agresso User guides. Approval to commit the Council to procure goods and services should be obtained prior to receipt of invoice.

3.2 Key Performance Indicators

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of the Internal Audit Plan 2017/18 completed This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council’s systems.</p>	<p>60% (to 22/11/17) See graph below</p>	<p>47% (to 22/11/17) See graph below</p>	<p>13%</p> <ul style="list-style-type: none"> • Additional reviews undertaken at the request of management • Small impact of sickness absence
<p>Percentage of Client Survey responses indicating a “very good” or “good” opinion This measures the feedback received on the service provided, and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	<p>100%</p>	<p>100%</p>	<p>No variance</p>
<p>Percentage of recommendations made in the period which have been agreed to by management This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	<p>100%</p>	<p>100%</p>	<p>No variance</p>

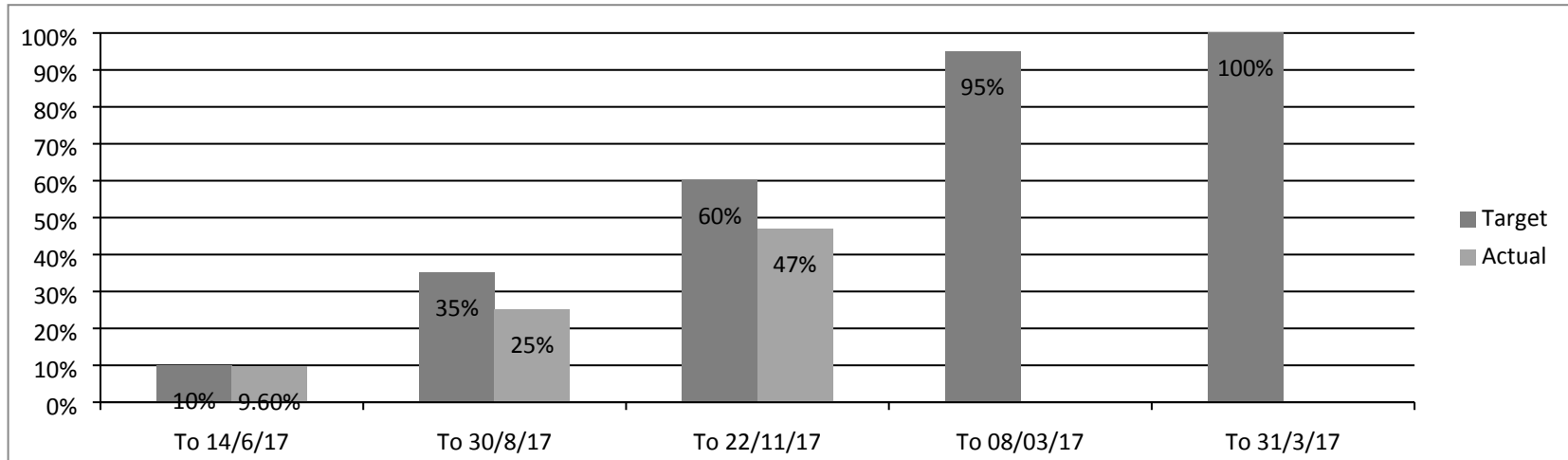


Figure 1: Percentage of the Internal Audit Plan 2017/18 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

3.3 Anti-Fraud

The following anti-fraud work has been undertaken during the period:

- International Fraud Awareness Week ran from 12-19 November 2017. During this period, a series of messages was posted on the Council's website, Yammer, intranet and social media so as to encourage staff and residents to report suspected fraud. This included a short video interview with the Cabinet member for this area, Cllr Lappin, lending her support to the initiative. It is hoped that this will lead to an increase in the number of reports of suspected fraud made, and also have a deterrent effect. This Committee will be kept updated on the outcomes of this work.
- There has been a focus on proactive anti-fraud work and the service has undertaken detailed planning in using the time allocated to this within the overall Internal Audit Plan. This encapsulates such areas as Council Tax, Housing Benefit and Blue Badges, and work will be undertaken to review specific anti-fraud controls in these areas.
- An assessment of the Council's approach to fraud is to be completed in the next quarter, utilising the CIPFA document "Code of Practice on Managing the Risk of Fraud and Corruption".

- In respect of the most recent National Fraud Initiative exercise, the Cabinet Office provided a total number of 8,038 matches across 101 different reports. Work has been completed on 62 of the reports. Checks undertaken on the matches provided have led to the identification of:
 - 3 frauds matching taxi drivers to asylum seekers, resulting in the revocation of the taxi licences.
 - 9 matches categorised as errors with recoverable overpayments identified totalling £26,850.10.
 - 176 matches where errors were identified but no recoverable overpayment.
- The forthcoming NFI exercise will concern Council Tax single person discount, and this Committee will be kept informed of the outcomes of this exercise, which tends to yield significant results.

3.4 Public Sector Internal Audit Standards

The last report to this Committee (September 2017) detailed the requirements of the Public Sector Internal Audit Standards and set out the process for ensuring compliance. This highlighted that a self-assessment exercise had been undertaken and that the outcome of this assessment was that the Internal Audit service was found to **generally conform** with the requirements of the Standards, but that a small number of actions have been identified so as to ensure full compliance.

It was also highlighted that the service must be the subject of an external quality assessment at least once every five years by a qualified independent assessor from outside the organisation. It has now been agreed that an independent validation of this self-assessment will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) in March 2018. The results of this exercise will be reported to this Committee at its June 2018 meeting, by which time the feedback will have been received.

3.5 Resources

During the period, there were 35 days lost to sickness within the Audit team. This makes the cumulative figure of 40 days so far this year, which indicates a significant improvement on this period last year.

4. Health and Safety: Performance Update

4.1 Work Completed

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

- The service held a Schools Health and Safety Conference on 2 November 2017. The event was very well attended and received, and was an excellent opportunity for all parts of the service to engage with schools and showcase the services it can provide to them. The theme of the day was “a sensible approach to health and safety risk management in schools”, and the speakers helped to promote a proportionate approach to the management of risk. There was a range of speakers in attendance, including Tim Gill, author of “Rethinking Childhood”; Steve Jones of CLEAPSS (Consortium of Local Education Authority Providers of School Science); and representatives from Merseyside Fire and Rescue Service and Police Counter-Terrorism advisers. There was also a range of workshops regarding data protection, minibus safety and building health and safety management.
- The team has been instrumental in updating the Legionella and Asbestos Management Plans, and these were approved by the Corporate Health and Safety Committee. The team has also undertaken further update and rationalisation of the Health and Safety standards on the intranet.
- The last report to this Committee highlighted the work that is ongoing to review compliance with the legislative Health and Safety requirements for Council buildings. The first round of compliance visits has now taken place and this reflects a positive picture. In conjunction with this, the Corporate Health and Safety Committee’s role in obtaining assurances from responsible persons on compliance with requirements is being strengthened. The Corporate Health and Safety Committee held in October initiated this approach, and a presentation to Senior Leadership Team was given on 30 November to formalise this.

4.2 Key Incident Data

The data below relates to the period 1 September – 22 November 2017:

Number of incidents reported to the Health and Safety Executive under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013)	1
Number of substantial complaints (those which have warranted investigation)	0

4.3 Developments

- The Health and Safety team is continuing to develop its role and profile in order to have a greater corporate influence by being consulted as a matter of course in key decisions and strategies that have health and safety implications. In particular, the impact of the Public Sector Reform projects on how the Council works and accommodates its staff will have implications for health and safety, and the team is seeking to be involved in providing advice and guidance to relevant projects from the outset, so as to ensure that plans incorporate sound principles for the management of health and safety risk.
- The team is to play an important role in assisting the Council in working towards the Workplace Wellbeing accreditation, which is operated by Public Health England. This is at an early stage, but the achievement of the standard is complementary to the aims of the PSR3 project “A New Deal with Citizens”, in which the development of a healthy workplace is key to achieving change within the wider Borough.
- The service is taking advantage of the Risk Management days available as part of the Insurance contract to provide free training on Health and Safety for staff and members: IOSH (Institute of Occupational Safety and Health) training is to be provided in January 2018, a briefing is to be given to Heads of Service in May 2018; and a health and safety briefing for members is to be organised.

4.4 Resources

During the period, there was one day lost to sickness within the Health and Safety team. This makes the cumulative figure of one day so far this year, which indicates a significant improvement on this period last year.

5. Insurance: Performance Update

5.1 Work Completed

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

- A review meeting was held with Weightmans, the Council's legal advisors, on the service provided in respect of litigated insurance claims. The advent of the Ministry of Justice Claims Portal in 2013 is having an increasing impact in reducing the number of litigated claims, and the Council continues to defend a high rate of those litigated claims received.
- The team successfully completed insurance renewal for inception from 29 September 2017. Deductibles were held at previous levels, but changes in market conditions, chiefly the change in the Discount Rate for personal injury claims, have had an impact on premiums (for public liability in particular). Although the proposed legislation for the Claims Discount Rate will increase the amount of future compensation paid to successful claimants, it will hopefully be lower than first thought due to the anticipated change from -0.75% to somewhere within the range of 0 – 1%.

5.2 Key Claims Data

This data relates to the period since the last update (1st August to 31st October 2017):

Category	Number of claims received	Total reserve on claims received (£)	Number of insurance claims paid out	Amount paid out in insurance claims (£) (not necessarily related to claims received in this period)
Public Liability	95	332,323	32	93,607
Employer's Liability	2	23,678	5	27,008
Motor Vehicle	25	20,337	8	15,004

5.3 Developments

- The team is working on a more formalised approach to the management of its contracts with claims handlers and legal advisers. Regular review meetings take place, but the aim of this development is to hold providers to account for their performance, and to ensure that evidence is available for this. It is worthy of note that performance is generally strong and any issues identified are addressed effectively.
- The team is also working to develop a suite of management information so as to inform those teams within the Council where most claims are received. This is intended to assist managers in those teams, within accepted resource constraints, to address any issues which may lead to a reduction in claims or improved defensibility rates.
- The Council was, along with all other local authorities, given the opportunity to be part of the formation of the new insurance entity, the LGA mutual. The Council has decided not to become a founder member of this entity, but will keep a watching brief on its development. The forthcoming insurance procurement exercise (approved by Cabinet in July 2017) will give an opportunity to explore the market and take advantage of the increased competition the introduction of new players into the market will bring.

5.4 Resources

During the period, there were two days lost to sickness within the Insurance team. This makes the cumulative figure of 15 days so far this year, which indicates an increase on this period last year.

6. Risk and Resilience: Performance Update

6.1 Work Completed

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

- The review of Emergency Planning continues, encompassing a number of key strands, including the review of Command and Control structures, training, and recruitment of volunteers. The Committee will be kept updated of the progress of this piece of work.
- The team has participated in a number of emergency planning exercises with multi-agency partners. The results of the exercises are used to inform Council responses to such incidents.

6.2 Developments

- Work supporting the development of the Council's risk management arrangements continues. An updated Corporate Risk Register and Corporate Risk Management Handbook are presented to this Committee for approval. The team will continue to support the Council in its risk management activities, and develop the robustness of this approach further over the medium term, in line with the plans outlined in the Corporate Risk Management Handbook.
- The service is taking advantage of the Risk Management days available as part of the Insurance contract to provide free training on Risk Management for staff. Three dates (November 2017, January 2018 and March 2018) have been arranged for the training of those responsible for the compilation and maintenance of risk registers. This will assist greatly in embedding the principles of risk management in the organisation.
- The schools Health and Safety Conference highlighted a need for there to be clearer guidance to schools on emergency procedures, including those to be invoked in the event of a terrorist incident. The team has begun to develop such guidance, which will act as a framework for schools and assist them in designing their own procedures.

6.3 Resources

During the period, five days were lost to sickness within the Risk and Resilience team. This makes the cumulative figure of eight days so far this year, which indicates a significant improvement on this period last year.

7. Looking Ahead

7.1 The development journey for the Service continues, with a number of key projects being undertaken to embed the role and influence of the team:

- Supporting the development of the system of corporate risk management, so as to demonstrate a clear and consistently applied approach, which is crucial during such times of sustained organisational change.
- Continued delivery of the Internal Audit Plan 2017/18, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Developing a range of plans and approaches to support the Council in its management of key insurance, health and safety and major incident risks.
- Developing clear accountability for health and safety related matters in Council buildings.
- Supporting the Framework for Change by providing audit advice and guidance on the risk and control issues emerging from the Public Sector Reform and economic development and strategic investment projects.

8. Conclusions

- 8.1 Internal Audit has made positive progress in the completion of the Internal Audit Plan 2017/18 in the period. 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.
- 8.2 The Health and Safety SLA with schools is having a positive effect on their awareness of health and safety risk management. Key incident data shows a positive picture in terms of the Council's Health and Safety record, with very few incidents having been reported to the Health and Safety Executive.
- 8.3 The Insurance Team has successfully completed the insurance renewal exercise, and now begins to look ahead to the forthcoming procurement exercise for insurance beyond September 2018.
- 8.4 The Risk and Resilience Team is undertaking a review of the Council's planned approaches to a major incident, seeking to develop a more comprehensive structure and framework for response and recovery.

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Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 6 December 2017
Subject:	Revenue Service - Write off of irrecoverable Business Rates, Housing Benefit Overpayments and Sundry Debts with balances over £10,000		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:			
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No, <u>but</u> the Appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt		

Summary:

As outlined within the Council's constitution, all outstanding debts over £10,000 cannot be written off without Member approval.

This report requests the authorisation of the Audit & Governance Committee to write off the debts listed in Appendices 1, 2 and 3 to this report.

Recommendation(s):

- (1) To approve the write off of all individual debts detailed in the appendices to this report. The total amount for write off is £248,311.48.

Reasons for the Recommendation(s):

The individual debts detailed in the Appendices have all been assessed on an individual basis as all means of recovery have been exhausted. These debts are now considered to be irrecoverable and are recommended for write off.

Approval will ensure uncollectable debt is removed from the system.

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

Not to write off the debt.

What will it cost and how will it be financed?

(A) Revenue Costs

The amounts proposed for write off are within the provisions set aside for doubtful debts and the Council will write off these debts against these provisions.

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(B) Capital Costs

N/A

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:

Not applicable

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
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 Head of Corporate Resources (FD.....) and Head of Regulation and Compliance (LD.....) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Immediately following the Committee meeting.

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Exempt Appendices:

Appendix 1 – Business Rates (NNDR) accounts over £10,000.

Appendix 2 – Housing Benefit Overpayment accounts over £10,000.

Appendix 3 – Sundry Debt accounts over £10,000.

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

1.1 The Council collected over £253.4m during 2016/17 which included:

- £129.8m in Council Tax;
- £73.5m in Business Rates; and
- £50.1m Sundry Income

For 2017/18 the forecast for collectible debits i.e. billed amounts is £266.6m. This comprises of

- £142.9m – Council Tax;
- £73.7m - Business Rates; and
- £50m – Sundry Income

1.2 Whilst the Council seeks to limit the level of debt that is written off, every effort is made to ensure that collection levels remain high. The table below shows the percentage collection rate for Council Tax and Business Rates. As reported to various council committees these collection rates are upper quartile when compared to all local metropolitan authorities nationally.

Council Tax		Business Rates	
Year	Collection Rate	Year	Collection Rate
2011	97.10%	2011	97.80%
2012	97.30%	2012	98.00%
2013	96.20%	2013	97.80%
2014	96.30%	2014	98.40%
2015	96.20%	2015	99.30%
2016	96.30%	2016	99.30%
2017	Currently 60.37% @ 19/10/17	2017	Currently 64.69% @ 19/10/17

1.3 All debts, taxes and rates are actively pursued and in most instances are collected with little difficulty. As a result debts are monitored to ensure they are collected in the most efficient and economical manner and are only written off where all means of recovery have been exhausted. This report will provide members with details of those sums that are over £10,000 in value and need to be written off as a result of these processes having been completed.

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2. Recovery Procedures Undertaken

2.1 For those sums where a payment is outstanding the following recovery actions are undertaken:-

- Bill / Invoice sent.
- Reminder sent.
- Final Notice sent.
- Summons sent.
- Letter Before Action sent.
- Liability Order granted at Magistrates Court for NNDR.
- Telephone debt chasing to make arrangements to pay.
- Home visits are made to make arrangements to pay.
- 14 Day Warning Letter / Letter before action sent.
- Cases referred to Enforcement Agents / Debt Collectors.
- Charging Orders and Land Charges put against the property if appropriate. However, the vast majority of businesses in Sefton are in leased properties.
- Statutory Demands issued for Bankruptcy proceedings.

2.2 If a person or business is having difficulty making the payment, special arrangements are used to effect recovery and this may mean extending the period of time to collect the debt. Only when all options have been explored would a debt be considered for write off.

2.3 There are a number of key reasons why a debt is put forward for write off. These include:

- The debt is uneconomical to collect i.e. the cost of collection.
- The debtor cannot be found despite all reasonable attempts to trace the debtor. The Revenue Service has access to Call Credit's database which is used for tracing absconded debtors. Each case is checked against the system before a decision is taken to put forward the debt for write off.
- The debtor is deceased and there is no likely settlement from the estate or next of kin.
- Insolvency and personal bankruptcy where there are no assets to claim against and there is no/limited likelihood of settlement.

3. Approach to Debt Write off

3.1 Bad debt provision

Business Rates proposed for write off relating to the current year are not met from the existing provision at 31st March 2017 but will be offset against the amount for bad debts included in the 2017/18 NNDR1(Government Return). There are also specific bad debt provisions for Housing Benefit Overpayments and Sundry Debts.

3.2 **Assurance checks** - All debtor accounts have been provided to the Partnership Team Assurance Officers for scrutiny and to ensure that all necessary steps were taken prior to submission for write off. All accounts have been reviewed by the Team.

3.3 Whenever an amount is written off it is possible that further sums may be recovered in due course as new information is obtained. This would happen in the following instances:

- Where a new address is found for an absconded debtor attempts will be made to recover any outstanding sums.

- Whenever a firm or individual goes into bankruptcy, liquidation, receivership etc., the Council's interest is registered with the Receiver, Liquidator etc. and the receiver may pay a dividend to creditors; and
- Companies that have ceased trading but have not entered into insolvency may restart their business.

3.4 **Reconciliation** - following approval and the write off for individual cases, the Revenues Manager will provide a reconciliation statement identifying any discrepancies that have arisen and reasons for discrepancies. Schedules of balances actually written off will accompany the statement and be submitted to Financial Management for evidence and monitoring debt provision.

4. **Councils constitution:**

4.1 Within the Council's financial regulations debts for any single item or group of items up to £10,000 are submitted for approval to the Chief Finance Officer in conjunction with the Head of Regulation and Compliance and the relevant Strategic and/or Service Director.

4.2 Individual debts above this level (£10,000) require the approval of Audit & Governance Committee.

5. **Debts of over £10,000 Identified for Write-Off**

5.1 13 individual accounts with balances over £10,000 and totalling £248,311.48 have been identified for write off.

5.2 The accounts are summarised as follows:

All Debt Categories		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	2	£33,141.39
Ceased Trading No Assets	4	£81,009.61
Deceased No Assets	1	£13,470.55
Gone No Trace	2	£60,432.06
Liquidation	1	£20,138.54
Unable To Collect	3	£40,119.33
Totals	13	£248,311.48
Breakdown into annual debt:		
2007		£1,919.25
2008		£8,967.40
2009		£9,116.51
2010		£998.42
2012		£8,879.24
2013		£18,015.75
2014		£22,081.24
2015		£27,888.62
2016		£132,900.23
2017		£17,544.82
Total		£248,311.48

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Business Rates		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Ceased Trading No Assets	4	£81,009.61
Gone No Trace	2	£60,432.06
Liquidation	1	£20,138.54
Unable to Collect	2	£27,131.88
Totals	9	£188,712.09
Breakdown into annual debt:		
2012		£8,879.24
2013		£18,015.75
2014		£22,081.24
2015		£14,418.07
2016		£107,772.97
2017		£17,544.82
Total		£188,712.09

Housing Benefit Overpayment		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	1	£12,139.81
Deceased No Assets	1	£13,470.55
Totals	2	£25,610.36
Breakdown into annual debt:		
2015		£13,470.55
2016		£12,139.81
Total		£25,610.36

Sundry Debt
Write Offs Over £10k

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Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	1	£21,001.58
Unable To Collect	1	£12,987.45
Totals	2	£33,989.03
Breakdown into annual debt:		
2007		£1,919.25
2008		£8,967.40
2009		£9,116.51
2010		£998.42
2016		£12,987.45
Total		£33,989.03

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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