

# Public Document Pack



MEETING: AUDIT AND GOVERNANCE COMMITTEE  
DATE: Wednesday 18th December, 2019  
TIME: 3.00 pm  
VENUE: Committee Room - Bootle Town Hall, Trinity Road, Bootle, L20 7AE

## Member

Councillor Robinson (Chair)  
Councillor Roche (Vice-Chair)  
Councillor Brennan  
Councillor Cluskey  
Councillor McGinnity  
Councillor O'Hanlon  
Councillor Pugh  
Councillor John Sayers  
Councillor Shaw  
Councillor Sir Ron Watson

## Substitute

Councillor Bradshaw  
Councillor Carr  
Councillor Dowd  
Councillor Marshall  
Councillor Yvonne Sayers  
Councillor Irving  
Councillor Evans  
Councillor Spencer  
Councillor Lewis  
Councillor Brough

COMMITTEE OFFICER: Ruth Appleby  
Democratic Services Officer  
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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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# AGENDA

**1. Apologies for absence**

**2. Declarations of Interest**

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

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

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

**3. Minutes**

(Pages 5 - 10)

Minutes of the meeting held on 18 September 2019

**4. Submission of Overview and Scrutiny Working Group Final Reports to Council**

(Pages 11 - 14)

Report of the Chief Legal and Democratic Officer

**5. Treasury Management Position to October 2019**

(Pages 15 - 24)

Report of the Head of Corporate Resources

**6. Corporate Risk Management**

(Pages 25 - 58)

Report of the Head of Corporate Resources

**7. Risk and Audit Service Performance Report**

(Pages 59 - 100)

Report of the Head of Corporate Resources

**8. Exclusion of Press and Public**

The following report is *not* Exempt/Confidential, but includes

appendices which contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A under Section 100A(4) of the Local Government Act 1972. Namely:

- Item 9 – Appendices 1, 2 and 3

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.

**9. Write Off of Irrecoverable Debts >£10,000**

(Pages 101 -  
114)

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 TOWN HALL, SOUTHPORT ON 18 SEPTEMBER 2019**

**PRESENT:** Councillor Robinson (in the Chair)  
Councillor Roche (Vice-Chair)  
Councillors Cluskey, O'Hanlon, John Sayers, Shaw,  
Sir Ron Watson and Evans

#### **15. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Brennan, Pugh and Dowd (Substitute).

#### **16. DECLARATIONS OF INTEREST**

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

#### **17. MINUTES**

**RESOLVED:**

That the Minutes of the meeting held on 24 July 2019 be confirmed as a correct record.

#### **18. COMMUNITY GOVERNANCE REVIEWS**

The Committee considered the report of the Head of Corporate Resources informing of the receipt of two petitions requesting that the Council undertake community governance reviews with a view to establishing parish councils for Crossens and Churchtown.

The report indicated that on 18 July 2019, the Council had amended the terms of reference for the Audit and Governance Committee to provide it with authority to decide upon the terms of reference for a community governance review, how the review would be conducted including the required consultation and consider the replies to any consultation and make a recommendation to Full Council. Authority had also been granted to allow the Audit and Governance Committee to undertake the committee's responsibilities in this regard.

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

**RESOLVED:** That

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 18TH  
SEPTEMBER, 2019

- (1) a working group be established from Audit and Governance Committee members, to undertake a community governance review with a view to establishing parish councils for Crossens and Churchtown in Southport;
- (2) the working group to be comprised of 5 councillors as follows:
  - 2 Labour councillors;
  - 1 Liberal Democratic councillor;
  - 1 Conservative councillor; and
  - 1 Meols Ward councillor;
- (3) the role of the working group to be:
  - (i) to decide the terms of reference for the community governance review;
  - (ii) consider the replies to any consultation;
  - (ii) following the review to make a recommendation to the Audit and Governance Committee; and
- (4) the recommendation of the Audit and Governance Committee be submitted to Full Council for approval.

## **19. CODE OF CORPORATE GOVERNANCE**

The Committee considered the report of the Chief Legal and Democratic Officer that presented a revised Code of Corporate Governance for approval.

The report indicated that the draft code, attached as an appendix to the report, had been prepared by officers from the Audit and Legal teams in the Corporate Resources Service and the need for the revised code had been considered by the Council's Strategic Leadership Board.

The report indicated that the revised Code represented recent thinking from lead professional bodies in this field, contained in the CIPFA/SOLACE – Delivering Good Governance (2016) document.

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

**RESOLVED:**

That the revised Code of Corporate Governance be endorsed.

## **20. REVENUE AND CAPITAL BUDGET UPDATE - TREASURY MANAGEMENT POSITION TO JULY 2019**

Further to Minute No. 7 of 19 June 2019, the Committee considered the report of the Head of Corporate Resources which provided a review of the Treasury Management activities undertaken to 31 July 2019. This was the first of the ongoing quarterly monitoring reports provided to the Audit and Governance Committee whose role it was to carry out scrutiny of treasury management policies and practices.

The Strategic Finance Manager – Corporate Finance presented the report and answered questions thereon.

RESOLVED: That

- (1) the Treasury Management update to 31 July 2019 be noted; and
- (2) the effects of decisions taken in pursuit of Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities, be noted.

## **21. CIPFA BETTER GOVERNANCE FORUM - AUDIT COMMITTEE UPDATE REPORT**

The Committee considered an Audit Committee Update report (Issue 29–2019) entitled 'Helping Audit Committees to be Effective', by the Chartered Institute of Public Finance and Accounting (CIPFA).

The report provided details of the CIPFA Statement on the Role of the Head of Internal Audit External Audit Arrangements for English Local Government Bodies Regular Briefing on Current Issues, which had been published in April 2019 to help Audit and Governance Committee members understand what they should expect from the Head of Internal Audit and setting out the overview and support that the Audit and Governance Committee should provide to that role.

The report also provided an update on new developments that would impact on the work of Audit Committees.

The Chief Internal Auditor presented the report and answered questions thereon; in particular, about the availability of funds to enable Audit and Governance Committee members to attend CIPFA training events.

The Head of Corporate Resources responded that the Council usually reserved 30 places to enable staff to attend CIPFA courses, and that Members who expressed an interest could be invited to future events, but

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 18TH  
SEPTEMBER, 2019

would be responsible for funding their own travel. The Audit Manager indicated that he would investigate the possibility of CIPFA coming to Sefton Council to deliver training to Members.

RESOLVED: That

- (1) the contents of the CIPFA Audit Committee Update Report (Issue 29 – August 2019), be noted; and
- (2) the Head of Corporate Resources be requested to investigate the possibility of CIPFA training being provided for elected Members in Sefton.

## **22. CORPORATE RISK MANAGEMENT**

Further to Minute No. 10 of 19 June 2019, the Committee considered the report of the Head of Corporate Resources on the updated Corporate Risk Register, indicating that since the last meeting the Corporate Risk Register had been fully updated with no new risks identified or escalated from the service risk registers.

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

RESOLVED: That

- (1) the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned actions in place to mitigate these be noted; and
- (2) the updated Corporate Risk Register be approved.

## **23. RISK AND AUDIT SERVICE PERFORMANCE REPORT**

Further to Minute No. 9 of 19 June 2019, the Committee considered the report of the Head of Corporate Resources which provided details of the performance and key activities of the Risk and Audit Service for the period 14 June 2019 to 6 September 2019.

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

RESOLVED: That

- (1) the progress of the delivery of the 2019/20 Internal Audit Plan and the activity undertaken for the period 14 June 2019 to 6 September



# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 18TH  
SEPTEMBER, 2019

2019, be noted; and

- (2) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience Teams in managing key risks be noted.

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# Agenda Item 4

<b>Report to:</b>	Audit and Governance Committee  Council	<b>Date of Meeting:</b>	18 December 2019  23 January 2020
<b>Subject:</b>	Submission of Overview and Scrutiny Working Group Final Reports to Council		
<b>Report of:</b>	Chief Legal and Democratic Officer	<b>Wards Affected:</b>	All
<b>Cabinet Portfolio:</b>	Adult Social Care Children, Schools and Safeguarding Communities and Housing Health and Wellbeing Locality Services Planning and Building Control Regeneration and Skills Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To seek approval of the submission of Overview and Scrutiny Working Group Final Reports and recommendations to Cabinet and then Council for final approval.

## Recommendations:

That Overview and Scrutiny Working Group Final Reports and recommendations be submitted to Cabinet and then Council for final approval and that the Constitution be amended accordingly.

## Reasons for the Recommendation(s):

To comply with decisions of the four Overview and Scrutiny Committees.

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

No alternative options have been considered.

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

There are no direct financial implications arising from this report.

# Agenda Item 4

(A) **Revenue Costs** – see above

(B) **Capital Costs** – see above

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> None
<b>Legal Implications:</b> The Council should have regard to statutory guidance and should follow the guidance unless there is good reason not to do so.
<b>Equality Implications:</b> There are no equality implications.

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: None directly applicable to this report.
Facilitate confident and resilient communities: None directly applicable to this report
Commission, broker and provide core services: The role that overview and scrutiny can play in holding an authority's decision makers to account makes it fundamentally important to the successful functioning of local democracy.
Place – leadership and influencer: None directly applicable to this report.
Drivers of change and reform: None directly applicable to this report.
Facilitate sustainable economic prosperity: None directly applicable to this report.
Greater income for social investment: None directly applicable to this report.
Cleaner Greener: None directly applicable to this report.

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

### (A) Internal Consultations

The Head of Corporate Resources (FD5878 /19) has been consulted and notes the report indicates no direct financial implications arising for the Council. The Chief Legal and Democratic Officer (LD4062 /19) is the author of the report.

Strategic Leadership Board

Overview and Scrutiny Management Board

The Council's four Overview and Scrutiny Committees

### (B) External Consultations

Not applicable

## Implementation Date for the Decision

Immediately following the Council meeting.

<b>Contact Officer:</b>	Paul Fraser
Telephone Number:	0151 934 2068
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## **Appendices:**

No appendices are attached

## **Background Papers:**

There are no background papers available for inspection.

### **1. Introduction**

- 1.1 The Government made a commitment to produce updated statutory Scrutiny Guidance in response to a Communities and Local Government Select Committee report into the “Effectiveness of Local Authority Overview and Scrutiny Committees”.
- 1.2 Statutory Guidance was published on 7 May 2019. Local authorities and Combined Authorities must have regard to the Statutory Guidance when exercising their functions; and the phrase ‘must have regard’, when used in this context, does not mean that the sections of statutory guidance have to be followed in every detail, but that they should be followed unless there is a good reason not to in a particular case.
- 1.3 A report on the Guidance was considered and approved by the Overview and Scrutiny Management Board and the four Overview and Scrutiny Committees during the October/November 2019 committee cycle.

### **2. Submission of Overview and Scrutiny Working Group Final Reports to Council**

- 2.1 One section of the guidance related to maintaining the interest of full Council in the work of Overview and Scrutiny Committees.
- 2.2 As Members will be aware, at present the Overview and Scrutiny Management Board and the four Overview and Scrutiny Committees submit an Annual Report to Council during the July cycle of meetings.
- 2.3 Currently, Overview and Scrutiny Working Group Final Reports and recommendations are submitted to Cabinet for approval. However, the Guidance indicated that to ensure Council plays a greater role in scrutiny functions then Overview and Scrutiny Working Group Final Reports and recommendations should be submitted to Council rather than solely to the Cabinet.
- 2.4 The Overview and Scrutiny Management Board and the four Overview and Scrutiny Committees approved the suggestion made in the Guidance that

# Agenda Item 4

Overview and Scrutiny Working Group Final Reports and recommendations be submitted to Cabinet and then Council for final approval.

- 2.5 To enable this change to be implemented the Audit and Governance Committee and Council are requested to approve the decision taken by the four Overview and Scrutiny Committees.

# Agenda Item 5

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 18 December 2019
<b>Subject:</b>	Treasury Management Position to October 2019		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	All Wards
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

## Summary:

This report provides Members with a review of the Treasury Management activities undertaken to 31<sup>st</sup> October 2019. This document is the second report of the ongoing quarterly monitoring provided to Audit & Governance Committee and the mid-year report to Cabinet and Council, whose role it is to carry out scrutiny of treasury management policies and practices.

## Recommendation(s):

Members are requested to note the Treasury Management update to 31<sup>st</sup> October 2019, 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 31<sup>st</sup> October 2019 and to meet the reporting requirements set out in Sefton's Treasury Management Practices and those recommended by the CIPFA code.

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

N/A

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

### (A) Revenue Costs

The financial position on the external investment budget to the end of October indicates a surplus to the end of the period. The forecast to the end of the financial year also shows that investment income will exceed the level set in the budget.

# Agenda Item 5

## (B) Capital Costs

None.

### Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> External Interest is forecast to exceed the target for the year.
<b>Legal Implications:</b> The Council has a statutory duty to review its Treasury Management activities from time to time during the financial year.
<b>Equality Implications:</b>  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 (FD5855/19) and Chief Legal and Democratic Officer (LD4089/19) have been consulted and any comments have been incorporated into the report.

#### (B) External Consultations N/A



## Implementation Date for the Decision

With immediate effect.

<b>Contact Officer:</b>	Graham Hussey
Telephone Number:	Tel: 0151 934 4100
Email Address:	graham.hussey@sefton.gov.uk

## Appendices:

There are no appendices to this report

## Background Papers:

There are no background papers available for inspection.

## 1. Background to the Report

- 1.1. As recommended under CIPFA's revised 2017 Code of Practice on Treasury Management in Public Services, the Council's Treasury Management Policy and Strategy document for 2019/20 (approved by Council on 28<sup>th</sup> February 2019) 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 31<sup>st</sup> October 2019.
- 1.2. The report includes information on the investments held / entered into during the period and the interest rates obtained (with a comparison of performance against a standard benchmark figure). In addition, the report highlights whether there has been any variance from the Treasury Management Policy and Strategy and the Council's approved Prudential Indicators (the operational boundaries within which the Council aims to work).

## 2. Investments Held

- 2.1. Investments held at the 31/10/2019 comprise the following:

Institution	Deposit £m	Rate %	Maturity	Rating
<b>Money Market Funds:</b>				
Aberdeen	2.44	0.68	n/a	AAA
Aviva	2.62	0.72	n/a	AAA
BNP Paribas	2.59	0.71	n/a	AAA
Goldman Sachs	0.77	0.67	n/a	AAA
Invesco	2.62	0.72	n/a	AAA
Federated Investors	2.10	0.73	n/a	AAA
Insight	2.10	0.72	n/a	AAA
Total	15.24			

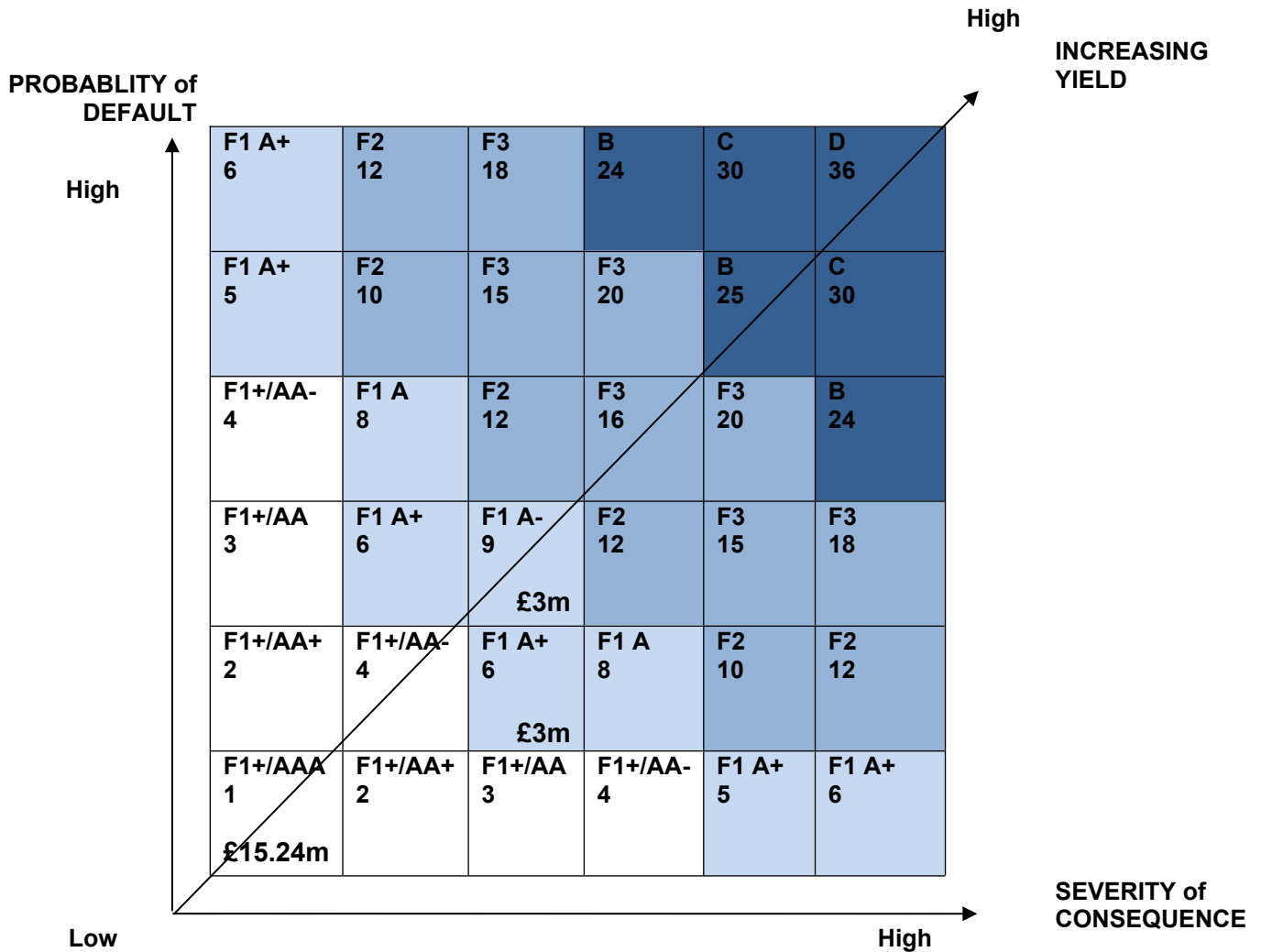
# Agenda Item 5

Institution	Deposit £m	Rate %	Maturity	Rating
<b>Fixed Term Deposits:</b>				
Lloyds	3.00	1.05	10/02/2020	A+
Coventry Building Society	3.00	0.92	11/11/2019	A-
Total	6.00			
<b>Property Fund:</b>				
CCLA	5.00	4.24	n/a	n/a
Total	5.00			
<b>TOTAL INVESTMENTS</b>	<b>26.24</b>			

- 2.2. All of the investments made since April 2019 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.
- 2.3. 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 2.6).
- 2.4. 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 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 4%. This is a long-term investment with the potential for capital growth of the investment as property prices potentially increase.
- 2.5. The Net Asset Value of the Property Fund has increased from 303.64p per unit to 303.84p per unit over a 12-month period to September 2019, an increase of 0.1% in the value of the Council's investment.

# Agenda Item 5

2.6. 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

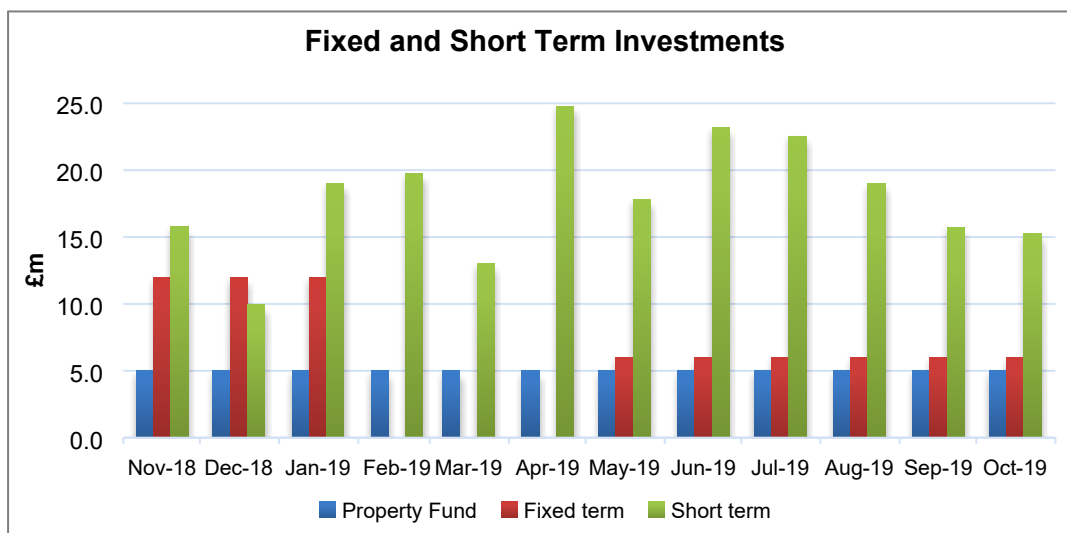
LOW	1 - 4
LOW – MEDIUM	5 - 9
MEDIUM	10 - 20
HIGH	21 - 36

## INVESTED

Investment Grade	£15.24m
Investment Grade	£6.00m
Investment Grade	Nil
Speculative Grade	Nil

# Agenda Item 5

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



- 2.8. No new fixed term investments have been made since the last quarterly report. One fixed term investment of £3m with Coventry building society is due to mature within the next quarter. Officers from the Treasury Management Team will review the opportunities for reinvesting this amount to take advantage of any favourable rates on offer from approved counterparties.

### 3. Interest Earned

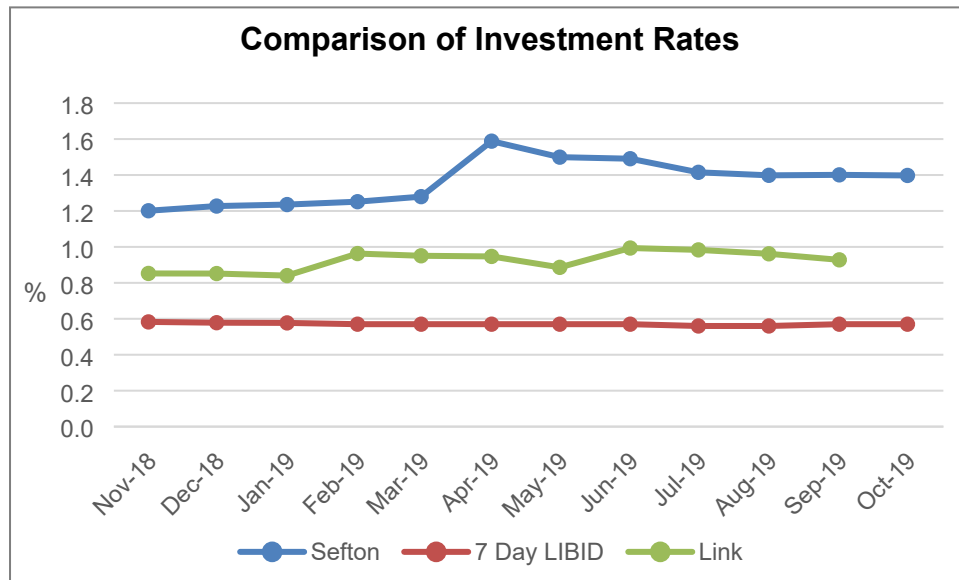
- 3.1. The actual performance of investments against the profiled budget to the end of October 2019 and the forecast performance of investments against total budget at year end is shown below:

	Profiled Budget £m	Actual £m	Variance £m
Oct-19	0.221	0.242	0.021

	Total Budget £m	Forecast Out-turn £m	Variance £m
2019/20	0.415	0.424	0.009

- 3.2. The budgeted investment return for the financial year 2019/20 was set at £0.415m on 1<sup>st</sup> April 2019. The forecast out-turn shows a minor over-achievement of this target by the end of the financial year. The Council places the majority of its investments with highly liquid Money Market Funds and the yield from these funds has remained relatively unchanged over the first quarter. It is not envisaged that any significant deviation from the budgeted level of income will occur for the remainder of the financial year.

- 3.3. 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 Link:



NB: Link's October position not available at the time of writing.

## 4. Interest Rate Forecast

- 4.1. Link Asset Services, our Treasury Advisors, have supplied the interest rate forecast and commentary below:

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

*It has been little surprise that the Monetary Policy Committee (MPC) has left the Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.*

# Agenda Item 5

## 5. Compliance with Treasury and Prudential Limits

- 5.1. During the quarter ending 31st October 2019, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.
- 5.2. The key treasury indicators compared to the actuals as at 31<sup>st</sup> October 2019 are shown below:

<b>External Debt:</b>	<b>2019/20 £m</b>
Authorised limit for external debt	205.000
Operational boundary for external debt	195.000
Actual external debt 31.10.19	152.832

<b>Maturity structure of fixed rate borrowing:</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual %</b>
Under 12 months	35	0	2
12 months to 24 months	40	0	1
24 months to 5 years	40	0	28
5 years to 10 years	40	0	12
10 years to 15 years	40	0	21
15 years +	90	25	35

<b>Upper limit for principal sums invested for longer than 365 days:</b>	<b>Limit %</b>	<b>Actual %</b>
Principal sums invested	40	24

## **6. Public Works Loan Board (PWLB) Rate Rise**

- 6.1. Members will be aware that the Public Works Loan Board (PWLB) offer a borrowing facility for all local authorities. The PWLB offer this borrowing facility at a fixed rate above the Government's cost of borrowing and this has historically been the most efficient manner of borrowing for councils.
- 6.2. On 9<sup>th</sup> October 2019, the Government increased this margin by 1% in a response to the substantial increase in PWLB loans taken out by local authorities caused by historically low interest rate levels. At the same time to reflect this demand, the cap on such lending by the PWLB has been increased from £85bn to £95bn.
- 6.3. This change was made with no prior notice and will increase the cost of future borrowing that councils may undertake if the PWLB is chosen.
- 6.4. Members are advised that this change will impact upon future borrowing activity but for Sefton this will have no impact upon the Council's current debt portfolio as all loans held are at fixed rates. The revised borrowing rates will be included in future Treasury Management reports and will be a feature in assessing the cost of future schemes viability and affordability.

## **7. Treasury Consultant Tender Exercise**

- 7.1. Members will be aware that local authorities are required under the Prudential Code to receive appropriate Treasury Management advice in order to inform effective and informed decision making in what is recognised as a complex area of council business.
- 7.2. The Council has procured this advice for some time and has ensured that decisions made by members and officers are supported by specialist expertise to reduce the risk faced by the council.
- 7.3. The current contract is due to come to an end on 31<sup>st</sup> March 2020, therefore a procurement process will now commence. Due to the size of the contract, under the Council's contract procedure rules this process will be undertaken with the final decision on contract award being made by the Head of Corporate Resources. This will be undertaken in consultation with the Cabinet Member for Regulatory Compliance and Corporate Services.
- 7.4. This process will take the form of a restricted Request for Quotation exercise with evaluation being on the basis of the Most Economically Advantageous Tender. The price/quality split of this evaluation will be 30:70 respectively and it is anticipated that the contract award will take place at the end of December 2019 with a view to commencement from 1<sup>st</sup> April 2020.

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# Agenda Item 6

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 18 December 2019
<b>Subject:</b>	Corporate Risk Management		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards)
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee, the Corporate Risk Register has been fully updated, with no new risks being identified or escalated from the service risk registers. In addition, no risks have been removed from the risk register and there have been no changes in the risk scores.

The Corporate Risk Management Handbook has been updated to include a revised scoring assessment and is also presented for 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

# Agenda Item 6

and likelihood (and so the cost) of risk.

**(B) Capital Costs** - There are no direct capital cost implications arising from this report.

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
There are no direct resource implications.
<b>Legal Implications:</b>
There are no legal implications.
<b>Equality Implications:</b>
There are no equality implications.

## Contribution to the Council's Core Purpose:

The effective management of the Council's risks will assist the achievement of the Council's Core Purpose.

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

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

### (A) Internal Consultations

The Head of Corporate Resources (FD5879/19) and the Chief Legal and Democratic Officer (LD4063/19) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

None

## Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	David Eden
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Email Address:	david.eden@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/Background

- 1.1 Risk Management is defined as 'systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses'.
- 1.2 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management, and embedding this into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
  - Corporate Risk Register – risks scored at 16 plus and these are the key risks affecting the Council
  - Service Risk Registers – risks scored between eight and 15 which are owned and managed by the Head of Service.
  - Operational Risk Registers – risks scored at seven and below which are owned and managed by Service Managers
- 1.3 An updated Corporate Risk Register is presented at each meeting of this Committee. The Corporate Risk Register has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. 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 The Service Risk registers are owned and reviewed by the Heads of Service on a quarterly basis and are provided to the Risk and Audit team for information. The

# Agenda Item 6

completed Service Risk Registers are used by Audit as an agenda item in the formal quarterly meeting with the Heads of Service and are also used for the monthly budget meetings that are held by Finance with the Service Management teams. Due to the wider use of the risk registers there has been a noticeable improvement in the engagement on risk.

- 1.5 The Operational Risk Registers are owned and revised by Service Managers. Members may remember that the Risk and Resilience Team assisted by the Internal Audit Team completed an exercise in 2018/19 to fully implement this tier of risk registers across the organisation facilitating the completion of over 70 risk registers. This exercise was completed in March 2019. The Risk and Audit Team assisted by the Internal Audit Team work with the individual teams to facilitate regular reviews of the risk registers which will help to embed risk management at the centre of the Council's activities.
- 1.6 At the December 2017 meeting of this Committee, the Corporate Risk Management Handbook was approved, and it was agreed that the Handbook would be presented annually for approval, following a review. The Handbook, which is set out at Appendix B, has been expanded to provide a revised risk assessment scoring matrix to provide a greater spread of scores for risks.

## **2. Key Developments**

- 2.1 Since the September 2019 meeting of the Committee, the Corporate Risk Register has been fully reviewed and updated.
- 2.2 No risk(s) has been removed from the register:
- 2.3 The scoring of the risks has been reviewed by the risk owners however due to there being no perceived changes in the risk environment for each risk the risk assessment scores have not been altered at this point.
- 2.4 No new risks have been identified since the last Committee meeting and no risks have been escalated from the Service Risk Registers.
- 2.5 The Corporate Risk Management Handbook has been expanded to provide a revised risk assessment scoring matrix to provide a greater spread of scores for risks. This will be particularly beneficial for the Corporate Risk Register as at present the risk impact and likelihood scores are multiplied which means from a practical perspective there are only three scores available of 16, 20 and 25. By putting a revised risk assessment scoring matrix in it is now possible to score risks individually between 16 and 25 which will provide a greater spread of risks and the ability to identify the individual top scoring risks.

**Corporate Risk Register**

**Reported to:**  
**Date: 11 November 2019**

Details of Risk				Inherent Risk			Existing Controls	Residual Risk			Actions			Target score				
Ref	Risk Description	Trigger	Result	Owner	Probability	Impact		Score	Probability	Impact	Score	Proposed Action Plans	Action Owner	Target Date	Probability	Impact	Score	Action Status
Finance	Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.  <b>Core Purpose</b> • Protect the most vulnerable • Commission, broker and provide core services	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 at full capacity and external provision is very expensive (3 or 4 times more expensive than in-house provision).  Central Government have advocated parental preference for SEND provision with no additional funding.	Overspending occurred in 2017/18 (£1.8m) and 2018/19 the overspend was (£1.9m+). Likely for overspend to increase to £4 million for 2019/20 and beyond.  Requirement to complete an action plan by DFE. DSG overspend of more than 1% results in action plan with Secretary of State and interventions (schools/high needs block)	HoEE	5	5	25	Engagement with Head of Education Excellence 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.  Schools Forum agreed to move funding between the DSG funding blocks in 2018/19 (£0.45m from schools) and (£0.20m from Early Years) to help support High Needs budget pressures in the current year, but this has proven to be nowhere near enough to balance the budget  Late in 2016 the DfE provided each LA with grant funding to help provide additional capacity to undertake strategic needs assessment of SEN provision (£104k for Sefton). This grant was used in appointing an external consultant, who engaged to undertake a High Needs review. The review has been completed and has recommended areas for improvement  Additional funding from Central Government - £500k for 19/20 financial year and similar available for 20/21 financial year to ease pressure.  In addition further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people.	5	5	25	Recommendations and a draft action plan with proposed resources and desired outcomes are being submitted to Schools Forum Jan-20  Action plan to be presented to ELT with proposals on resources to implement.  Lobbying of Government continues with a view to securing increased funding.  There is a review team plotting expected demand over the next 5 years, so as to provide clarity on likely future needs.	HoEE	April - July 2020	2	4	8	
Finance	Market failure of Adult Social Care provision.  <b>Core Purpose</b> • Protect the most vulnerable • Commission, broker and provide core services	Lack of market engagement and market development due to lack of capacity and resource.  Capability and capacity of the available workforce to provide domiciliary care.  Lack of diversity of supply in the market to provide choice and control	Inability to provide packages of care for service users  Inability to maximise the opportunity of reablement  Lack of alternative providers able to support social care  Poor quality service provision  Significant increase in unmet needs of service users due to a fragile market that is not developing	HoASC/HoSS	4	5	20	Market Position Statement 2014  Integrated Commissioning Group  Centralised Commissioning Support function	4	5	20	Full review of the Market Position Statement and revision of the Market Position Statement  Review and align strategic plans to current contracts to ensure Value for Money and objectives are met.  <a href="#">Review ways of working</a>  Development of new opportunities through working with LCR, CCG and wider commissioning partnerships.  Commissioning priorities and full work plan.  Workforce development of the independent workforce.  Ensure involvement of key stakeholders  As per commissioning workshop, review structure and workplan to deliver the above.	HoSS	March 2020 Ongoing	3	4	12	
Statutory/Legal	Data breach resulting in the wrongful release of personal and/or sensitive information  <b>Core Purpose</b> • Place-leadership and influence	Policies and processes coordinated by Information Management and Governance Executive Group are not adhered to, resulting in a higher incidence of breaches caused by human error.  System error occurs.	Failure to comply with legal requirements; loss of privacy, distress or harm to the data subject; damage to Council's reputation; loss of public confidence; and significant financial penalties.	All Heads of Service	4	5	20	Information management and governance, including data breaches and actions to prevent data breaches, is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e. designated Chief Information Officer, Senior Information Risk Owner and Lead officer for ICT infrastructure) supported by other officers with key roles relating to IMG.  Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management and Governance Tactical Group.  Support, co-ordination, advice and guidance is provided corporately and appropriate training/refresher training is in place.  The Council has implemented policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.	4	5	20	Appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following: Regular monitoring and review by IMGEG of policies, procedures and processes to prevent, manage and respond to potential and actual data breaches. Ongoing review of information systems to ensure no inappropriate or unforeseen data linkages exist within systems or reports. Review of systems ahead of updates to identify any unintended changes. Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error. Regular review of information contained to ensure information is accurate and any information that should be removed is removed. Regular reporting by IMGEG to SLB and Audit and Governance Committee as necessary. Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.	IMGEG	Ongoing	3	2	6	

Details of Risk					Inherent Risk			Residual Risk			Actions			Target score							
Ref	Risk Description	Trigger	Result	Owner	Probability	Impact	Score	Existing Controls			Probability	Impact	Score	Proposed Action Plans		Action Owner	Target Date	Probability	Impact	Score	Action Status
Statutory/Legal	Failure to manage historic records effectively <b>Core Purpose</b> • Place-leadership and influence	The risk is amplified by the implementation of GDPR (in particular the right to erasure and tighter deadlines for response to Subject Access Requests). In addition, the Council's Asset Maximisation programme which may lead the Council to leaving, redeveloping or selling buildings where records are held and moving to Paper Light working arrangements.	Failure to comply with legal requirements relating to retention, consideration, release or correct disposal of historical information; damage to Council's reputation; loss of public confidence; and significant financial penalties.  Historical information is not stored or managed correctly, such that it is lost, damaged or incorrectly disposed of.  Not known to the organisation when making relevant decisions; retained when it should have been correctly disposed of.	All Heads of Service	4	5	20	Information management and governance is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e. designated Chief Information Officer; Senior Information Risk Owner; and Lead officer for ICT infrastructure), supported by other officers with key roles relating to IMG.  Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management & Governance Tactical Group.  Support, co-ordination, advice and guidance is provided corporately and appropriate training/refresher training is in place.  The Council has implemented policies, procedures and processes for the management of information and has in place corporate contracts for appropriate digitisation, disposal and archive storage services.  The Council has implemented a Historic Records Pilot Project to identify the scale, condition and correct management of all historic records held. This project reports regularly to IMGEG.	4	5	20	Appropriate resourcing, prioritisation and focus on information management and governance across the Council, including support for Information Asset Owners and Information Asset Administrators including action on the following.  Regular monitoring and review by IMGEG of policies, procedures and processes for the management of information, including historic information.  Regular monitoring and review by IMGEG of the progress and implications of the Historic Records Pilot Project, including reporting to SLB and Audit and Governance Committee as necessary.  Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.  Commission training to improve understanding of data handling requirements and checks and controls	IMGEG	Ongoing	2	3	6	Green			
Finance Page 30	e to deliver allocated at and achieve savings <b>Purpose</b> e-leadership and influence	Public Sector Reform and reduced ASC budget as part of overall Council reductions  Increased demand and regulation and interdependent with ASC risk noted above.	Overspend on council budget  Poor service reputation  Need to reduce services and workforce  Interdependent with ASC risk noted above.	HoASC	4	5	20	Regular budget monitoring, including monthly budget monitoring meeting and updates giving clear picture of budget position across service  Scheme of delegation  Annual budget  Contracts with providers  Commissioning staff  Standard item on DMT and Managers Team Meetings  Exception reporting in place on spend and ASC waiver process  Review of high cost packages - move to existing	4	4	16	Devolved budget responsibilities and budget monitoring arrangements developed  Clear identification of savings against targets relating to PSR and other projects  Close working relationship with finance colleagues  Better forecasting and projections  Review of high cost packages  Robust review strategy in place	Finance Service Manager    HoASC	31/03/2020  Ongoing  Ongoing  Ongoing  December 2019 December 2019	3	4	12	Yellow			
Finance	Financial sustainability post 2020. <b>Core Purpose</b> This risk is directly related to the delivery of all aspects of the councils core purpose	The national review of local government funding and the next financial settlement places further strain on the Council's overall medium term budget.  Due to the scale of budget reductions since 2010 there is a risk that further suitable cost-saving/income generating measures will be difficult to identify.	Degradation of service could have an adverse impact on residents and communities  The reputation of the Council may be compromised  Financial sustainability could be compromised	All Heads of Service	5	5	25	Work is on going to deliver financial sustainability up to and including 2019/20. In addition to this work has commenced on developing the Medium Term Financial Plan (MTFP) for 2020/21 and beyond together with initial work on potential budget proposals and projects that could be developed under the Framework for Change.	4	4	16	Develop the Council's MTFP for the 3 years from 2020/21 to 2022/23  Continually monitor the delivery of the current 3 year budget  Start the development of budget proposals for 2020/21 and beyond as part of the Framework for Change 2020.	ELT and SLB	Ongoing	2	3	6	Yellow			

Details of Risk										Inherent Risk			Residual Risk			Actions			Target score		
Ref	Risk Description	Trigger	Result	Owner	Probability	Impact	Score	Existing Controls			Probability	Impact	Score	Proposed Action Plans		Action Owner	Target Date	Probability	Impact	Score	Action Status
Statutory/Legal	Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.  <b>Core Purpose</b> • Facilitate confident and resilient communities • Cleaner and greener	A major incident occurs affecting the Council or the Borough. This risk is accentuated as the government has determined the terror threat level as "severe" and was raised to "critical" on two occasions in 2017.	1) Loss of human life, illness or serious injury 2) Major damage or destruction to infrastructure, property and/or the environment 3) Disruption or loss of critical services such as transport, communications, utility services 4) Reputational or financial harm to the authority	All Heads of Service	4	5	20	Emergency Response Manual and Major Incident Guidance in place. Revised Command and Control structure in place which defines Strategic and Tactical level officers. Emergency Duty Co-ordinators invited to attend quarterly briefing sessions and all are able to access Resilience Direct containing incident response plans. Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis. Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside. Humanitarian volunteers in place and team strengthened following successful recruitment drive. 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". Ongoing development and review of supporting plans. Business Impact Analysis training for the Risk and Resilience team has been completed. Ongoing exercise of plans and involvement of Strategic and Tactical level officers.	4	4	16	Business Continuity Planning Implementation Plan has been devised and is currently being implemented. This includes the following: Business Continuity Policy and strategy has been devised and approved Business Impact analysis across all services are currently being undertaken. Business Continuity Plans to be devised during 2019 Business Continuity Testing and exercising to be undertaken.	All Heads of Service	Dec 2019- March 2020	3	2	6				
Infrastructure	Unable to adequately invest in highway network and related assets.  <b>Core Purpose</b> • Facilitate sustainable economic prosperity	Budget reductions; inadequate funding levels to meet need.	Deterioration of highway assets Potential increase in claims Financial and reputational risks Potential increase in accidents resulting in injury and/or death	Ho H&PP	4	5	20	Essential work is prioritised within available budget. Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk. Regular updates provided to Cabinet Member. Preventive surface treatments used to prolong the life of the network and to treat more of it than if more long-term maintenance solutions were used (i.e. resurfacing)	4	4	16	Seek opportunities for additional external funding via LCR/CA to maintain and improve network.	THI SM	Ongoing	2	3	6				
Infrastructure	The Council is the victim of a cyber attack.  <b>Core Purpose</b> • Protect the most vulnerable • Commission, broker and provide core services	Malware, ransomware or another virus infects the Council's systems.	Services will not have access to systems and data as standard, and will have to fall back on non-ICT delivery methods, albeit without access to key data.  Data breach occurs. Financial impact of ransom. Reputational damage	HoCR	4	5	20	Cyberattack prevention measures are in place, including - Upgraded Council firewalls and active SIEM monitoring service. - Anti malware tools - New Acceptable use policy ready for deployment - LGA Stocktake completed - PSN Accreditation achieved  Back-up disaster recovery facility is in place at a separate site, allowing Agilisys to restore the top 20 critical systems. Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems.- this is aligned to the Business Continuity work programme  Ongoing monitoring in place via ICT governance arrangements Windows Defender anti-virus software is constantly updated- the Council will move to ESET imminently  Communication to employees regarding the rise in malware attacks is in place, with plans to roll out better user education on this topic.	4	4	16	The ongoing ICT Transformation programme will see the majority of systems and data migrated to Microsoft Azure cloud hosting, which will reduce the overall risk; however a review of all security controls is underway by the Security Committee Deployment of industry standard ESET solution in progress Formal rollout of Cyber Security Awareness training. Develop new Business Continuity-Disaster Recovery plan in line with wider Corporate review of Business Continuity	HoCR	Ongoing	2	3	6				

Details of Risk					Inherent Risk			Residual Risk			Actions			Target score							
Ref	Risk Description	Trigger	Result	Owner	Probability	Impact	Score	Existing Controls			Probability	Impact	Score	Proposed Action Plans		Action Owner	Target Date	Probability	Impact	Score	Action Status
Statutory/Legal	<p>Failure to make progress in Ofsted and CQC SEND Improvement Plan following re-visit and notice to improve.</p> <p><b>Core Purpose</b></p> <ul style="list-style-type: none"> <li>Protect the most vulnerable</li> <li>Commission, broker and provide core services</li> </ul>	<p>Pupils with EHCPs do not make progress in comparison with peers</p> <p>Partnership does not improve the SEND system and hold each other to account.</p> <p>Co-production with parents not clearly evidenced</p> <p>Lack of progress in joint work with health</p>	<p>Notice to Improve remains in place beyond 2 year improvement plan</p> <p>Outcome for children does not improve.</p> <p>DfE considers intervention to deliver services.</p>	HoEE	4	4	16	<p>Improvement Board in place chaired by Cabinet Member Adult Social Care</p> <p>Governance arrangements in place with sub-group structure and clear Terms of Reference</p> <p>Sefton Parent Carers Forum members of the Board</p> <p>Bi - monthly reporting to DfE and CQC advisors</p> <p>Data dashboard developed to clearly monitor performance and rate of progress</p> <p>Staffing reviewed and resources identified to support improvement</p>	4	4	16	<p>Increased accountability to Health &amp; Wellbeing board</p> <p>Strong links with Sefton Parent Carer Forum with HoS for Communities taking the lead and a co-production sub group.</p> <p>Implementation of actions identified in action plan (part way through planned actions)</p> <p>Outcome of Ofsted Inspection April 2019 and proposed actions to be shared with the Health and Wellbeing Board - September 2019</p> <p>Report progress to December 2019 Health &amp; Wellbeing Board.</p>	HoEE	June 2021	2	4	8				
Statutory/Legal	<p>Inadequate child and school record system</p> <p><b>Core Purpose</b></p> <ul style="list-style-type: none"> <li>Protect the most vulnerable</li> </ul>	Lack of capacity to change and system investment	<p>Paper files</p> <p>Labour intensive filing/recording/use of and validity of data</p> <p>Performance can not be effectively monitored</p> <p>Missed deadlines national performance indicators and FOI/subject access requests</p> <p>No ROPA completed</p>	HoEE	4	4	16	<p>Project implementation in development and board being set up.</p> <p>Options appraisal being undertaken to look at most appropriate system.</p> <p>Project has been given high priority to support SEND improvement</p> <p>Digitisation of Paper files in progress.</p> <p>CAPITA system – partial use</p>	4	4	16	<p>Options appraisal will identify most appropriate system</p> <p>Procurement of system with possible update of modules to ensure full capability</p> <p>Governance board being developed</p>	HoEE	April 2020	2	4	8				
Economic Development/Growth	<p>to mitigate risks of, or opportunity and maximise opportunities from EU Exit</p> <p><b>Core Purpose</b></p> <ul style="list-style-type: none"> <li>Protect the most vulnerable</li> <li>Place-leadership and influence</li> <li>Facilitate sustainable economic prosperity</li> </ul>	<p>Implications of Brexit, both positive and negative, for Sefton and wider city region not fully understood making planning for the event challenging</p> <p>Lack of clarity at Central Government level regarding the details of Brexit (including but not limited to deal implications, timescales)</p> <p>Ineffective engagement with partners across the region on implications and opportunities</p>	<p>Increased costs to Council</p> <p>Service delivery to residents negatively impacted</p> <p>Loss of reputation</p> <p>Not positioned to proactively facilitate maximisation of any opportunity arising from Brexit in the borough, and in the wider city region</p>	Exec Director (SW)	4	4	16	<p>The Council has identified Strategic and Tactical Level Single Points of Contact for EU Exit related matters who lead engagement with the City Region EU Exit Working Group, the Merseyside Resilience Forum (MRF), North West CEOs and the Ministry of Housing, Communities and Local Government.</p> <p>A Sefton internal steering group has been set up comprising officers from across the organisation who are signed up to daily Gov. briefings and meet on a weekly basis.</p> <p>The Council has undertaken both community and organisational risk assessments based on central government National Planning Assumptions.</p> <p>Service Area EU Exit risk registers have been developed following an externally facilitated workshop.</p> <p>Sefton Council officers participate in multiple stakeholder planning groups to prepare for and mitigate identified community and organisational risks.</p> <p>Under Operation Yellowhammer arrangements, the council provides regular sitreps to report emerging risks to Central Government via the MRF.</p>	4	4	16	<p>All reporting for EU Exit is currently stood down pending an extension to 31/1/20 for a no deal exit.</p> <p>Monthly monitoring/review of risks will remain in place as a watching brief for continued intelligence e.g elections, protest activity, EU Settlement, FOIs and Communications.</p> <p>Proactive engagement to continue in Combined Authority working groups and with Central Government.</p> <p>Communications Team are engaged internally and represented on the MRF Communications Cell in place for EU Exit matters.</p> <p>On-going review/development of business continuity plans for council service provision and impact on the most vulnerable.</p> <p>Sefton Highways Management developed a successful Capital bid on behalf of the MRF and await result of a subsequent revenue bid request whilst continuing to review contingency and work with Port of Liverpool on plans to alleviate congestion on the key transport routes.</p>	All Heads of Service	Ongoing	4	3	12				



# **Corporate Risk Management Handbook**

Risk and Audit Service - December 2019

## Contents

<b>Page(s)</b>	<b>Item</b>
3	<b>Introduction</b>
4 - 5	<b>Defining Risk</b>
5 - 15	<b>Risk Management Process</b> <ul style="list-style-type: none"> <li>• Definition</li> <li>• Risk Identification</li> <li>• Trigger and Result</li> <li>• Risk Ownership</li> <li>• Risk Assessment – Scoring</li> <li>• Risk Evaluation Scoring Matrix</li> <li>• Existing Controls</li> <li>• Residual Risk Score</li> <li>• Proposed Actions to reduce Residual Risk Score</li> <li>• Target score</li> <li>• Risk Appetite</li> <li>• Response and Assurance</li> <li>• Action Planning</li> <li>• Risk Monitoring</li> <li>• Risk Reporting</li> <li>• Where to record and escalate a risk</li> </ul>
16	<b>Annual Assurance</b>
17 - 18	<b>Completing the Risk Implications on Committee and Executive Reports</b>
19 - 25	<b>Annex A</b> <ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Risk Management Policy Statement</li> <li>• Roles and Responsibilities</li> </ul>
26	<b>Annex B</b> <ul style="list-style-type: none"> <li>• Risk Register Template</li> </ul>

## 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 Council's 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, as a numerical score, ignoring the effect of the existing controls. Residual or net risk is the assessment of risk, again 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.

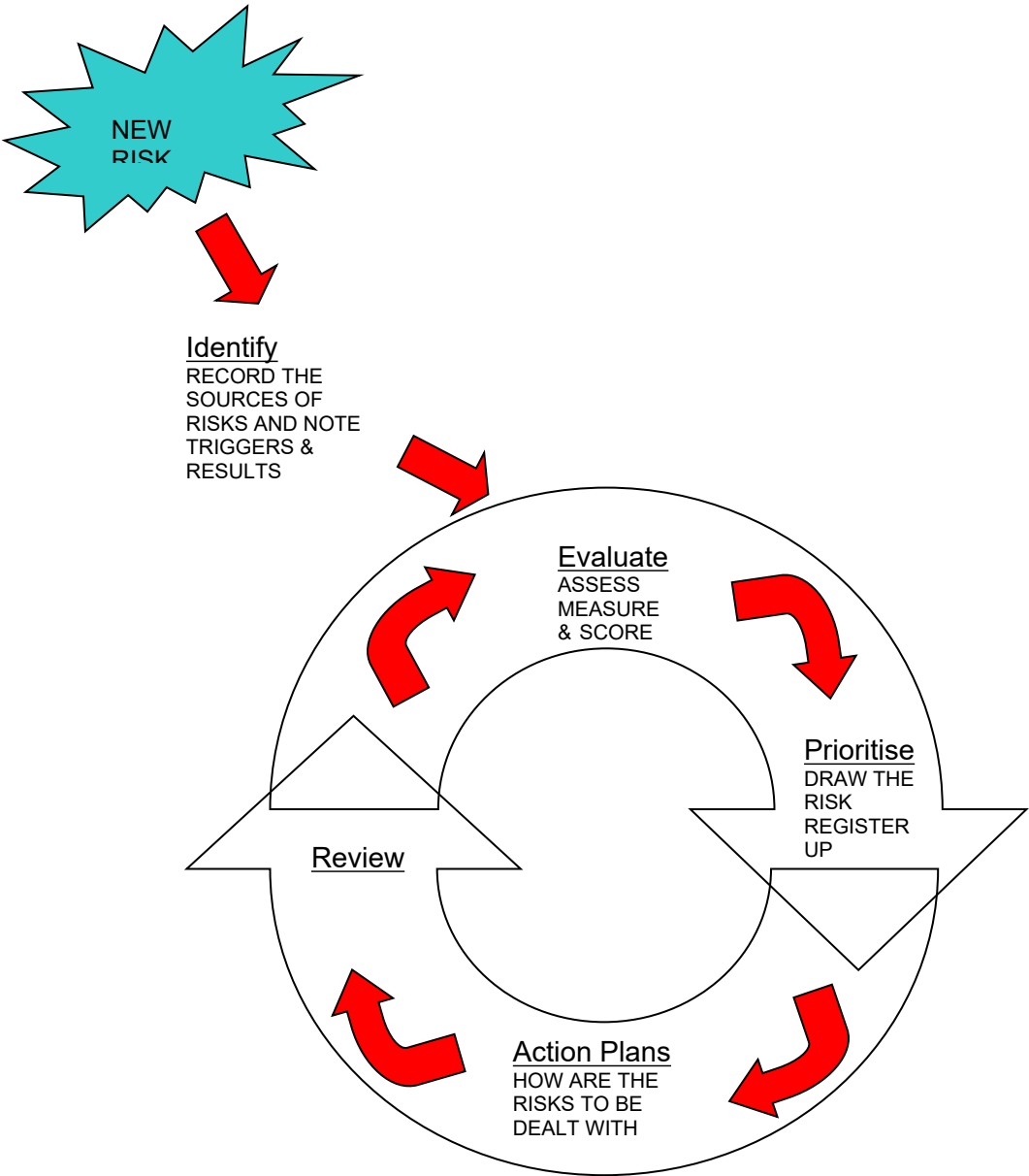
## **Benefits of Risk Management**

- 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



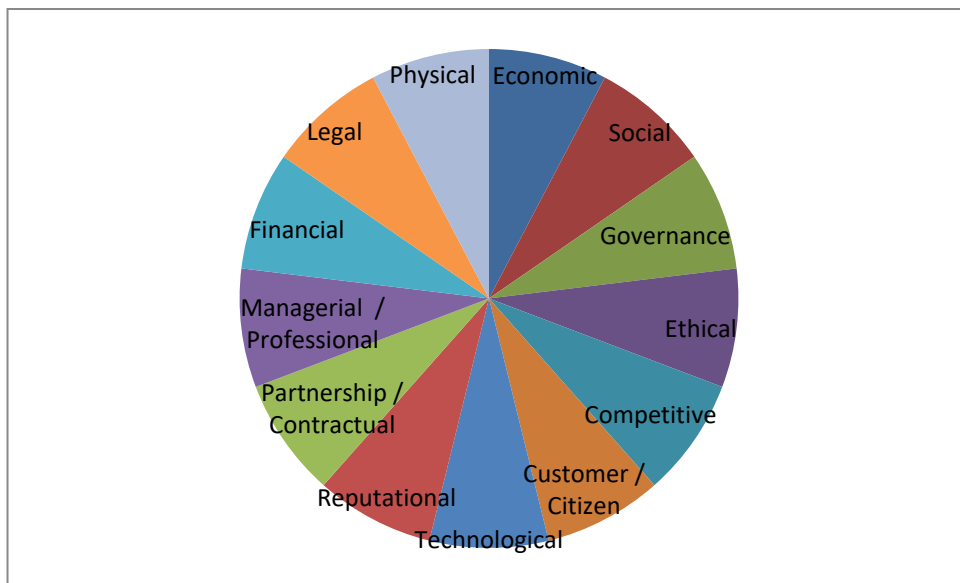
## Risk Identification

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 formally record 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
- 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 result(s) 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 table below. Select the relevant descriptor for the **Likelihood** of the risk occurring and the same for the **Impact** of the risk. The point at which they intersect in the table indicates the appropriate risk score. There is **no multiplication** involved as there was in the previous system.

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 consider 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.

## Risk Evaluation Scoring Matrix

Insignificant	Minor	Moderate	Significant	Catastrophic
No real interruption to service	Some disruption but can be managed	Disruption of several operational areas	Disruption of all service areas	Total failure of systems and services
One-off minor reduction in performance in one service area	Sustained reduction in performance in one area or reduction in performance across more than one service area	Sustained reduction in performance in more than one service area	Sustained systematic non-performance resulting against most performance targets	Complete performance failure
Financial loss up to £5,000	Financial loss between £5,001 and £20,000	Financial loss between £20,001 and £100,000	Financial loss between £100,001 and £1 million	Financial loss in excess of £1 million
Loss of up to 10% budget	Loss of 10 - 20% budget	Loss of 20 - 40% budget	Loss of 40 - 65% budget	Loss of over 65% budget
Minor injury or discomfort to an individual	Minor injury or discomfort to more than one individual	Major injury to an individual	Major injury to more than one individual	Fatality
Contained within Section/Unit or Service. Complaint from individual/small group, of arguable merit.	Large number of complaints. Social Media comment	Adverse local publicity/local public opinion aware. Statutory prosecution of a non-serious nature.	Adverse publicity in professional/municipal press affecting perception/standing in professional/local government community. Major and persistent adverse local publicity	Adverse and persistent national media coverage. Adverse central government response. Officer(s) and/or members forced to resign.

<b>LIKELIHOOD</b>	<b>Almost Certain</b> The event is already occurring or is expected to occur >90%	11	16	20	23	25
	<b>Likely</b> The event is likely to occur 30-90%	7	12	17	21	24
	<b>Possible</b> The event may occur 10-30%	4	8	13	18	22
	<b>Unlikely</b> The event is not usually likely to occur 3-10%	2	5	9	14	19
	<b>Rare</b> The event is only expected to occur in exceptional circumstances <3%	1	3	6	10	15



## 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
<b>MAJOR</b>	<ul style="list-style-type: none"> <li>• Terminate activity</li> <li>• Treat</li> <li>• Transfer</li> </ul>
<b>MODERATE</b>	<ul style="list-style-type: none"> <li>• Treat</li> <li>• Transfer</li> </ul>
<b>MINOR</b>	<ul style="list-style-type: none"> <li>• Treat – where cost is not prohibitively expensive</li> <li>• Tolerate</li> </ul>

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.

For each action that has been identified an assessment should be made of the effectiveness of the action to reduce the residual risk score to the target score.

## Target Score

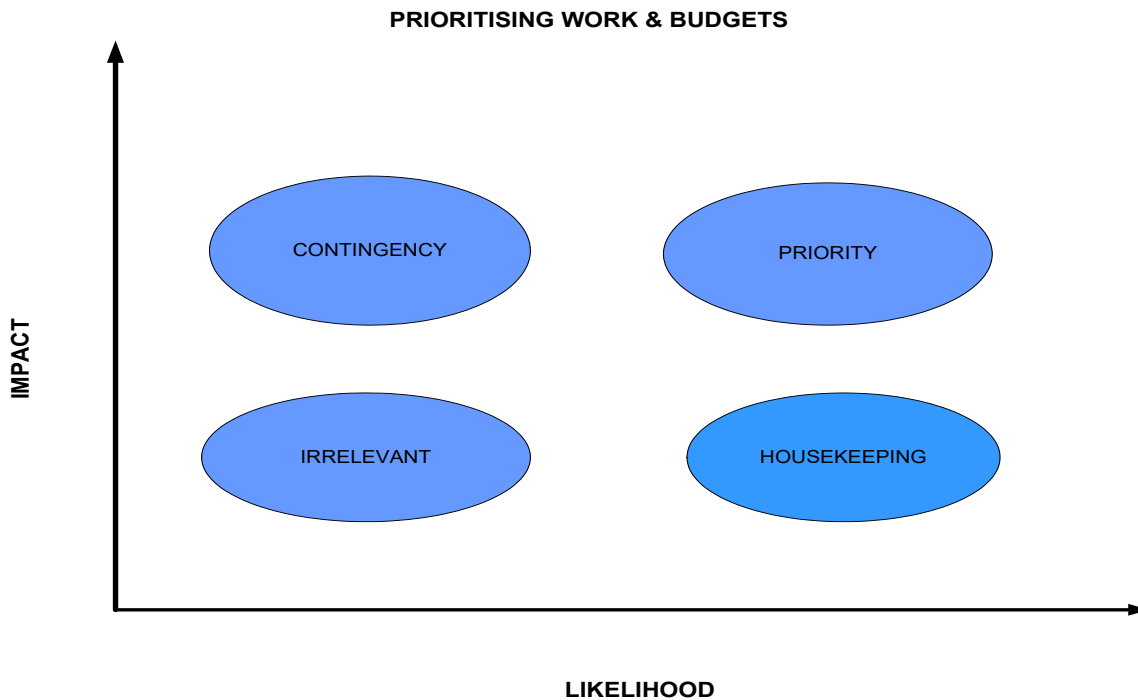
The target score should be completed in the risk register which will determine the level of risk exposure that we are prepared to tolerate following completion of all the mitigation tasks. The target score should be recorded using the risk descriptors for likelihood and probability considering the Council's risk appetite.

## Risk Appetite

Risk appetite can be defined as 'the amount and type of risk that the Council is willing to take in order to meet its strategic objectives. Organisations in general will have different risk appetites depending on their sector, culture and objectives. In practice, there is likely to be a range of appetites which exist for different risks and these may change over time.

At present, there is not a Sefton formal definition of risk appetite however this will be developed over the next 12 months.

## 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

The following table outlines the approach to record and escalate risk within the various risk registers used in the Council.

<b>Identify Risks</b>			
<b>Assess Each Risk</b>			
<b>Evaluate Each Risk</b>			
	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>
<b>*</b>	Record in <b>Operational</b> Risk Register	Record in <b>Service</b> Area Risk Register	Record on <b>Corporate</b> Risk Register
	Allocate an Owner - Head of Service/or lower tier manager as appropriate	Allocate an Owner - HOS and/or Service Manager	Allocate an Owner - Executive Director/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 Head of Service	Report to DMT	Report to SLB & Members as appropriate.
	Review the residual risk	Review the residual risk	Review the residual risk
	<b>Re-assess</b>	<b>Re-assess</b>	<b>Re-assess</b>

\* 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; 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 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

# Agenda Item 6

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.
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
- 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**



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

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# Agenda Item 7

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 18 December 2019
<b>Subject:</b>	Risk and Audit Service Performance Report		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 6 September 2019 to 6 December 2019.

## Recommendation(s):

Members are requested to:

- (1) Note the progress in the delivery of the 2019/20 Internal Audit Plans and the activity undertaken for the period 6 September 2019 6 December 2019.
- (2) Approve the revisions in the Annual Internal Audit Plan
- (3) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks.

## Reasons for the Recommendation(s):

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

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

None.

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

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

**(B) Capital Costs** - There are no capital costs arising from this report.

# Agenda Item 7

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
There are no specific resource implications from the report.
<b>Legal Implications:</b>
There are no specific legal implications arising from the report.
<b>Equality Implications:</b>
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 (FD5882/19) and the Chief Legal and Democratic Officer (LD4066/19) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

None

## Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	David Eden
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## **Appendices:**

The following appendices are attached to this report:

- Risk and Audit Service Performance Report

## **Background Papers:**

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

- Internal Audit Plan 2019/20 (as approved by this Committee on 20 March 2019)

## **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 through the Finance Service Manager.
- 1.2 The mission of the service is “to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.
- 1.3 The Service has the following objectives:
  - To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
  - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans.
  - To align the service with the Council’s changing needs.
- 1.4 In delivering this mission and objectives, the Service encapsulates the following teams:
  - Internal Audit
  - Health and Safety
  - Insurance
  - Risk and Resilience
  - Assurance
- 1.5 This report summarises the main aspects of the performance of the Service during the period 6 September 2019 – 6 December 2019, 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.

# Agenda Item 7

- Proposed revision in the Annual Internal Audit Plan.
  - Health and Safety, Insurance, Assurance and Risk and Resilience:
    - work undertaken in the period, with key data provided
    - developments relating to these parts of the Service.
- 1.6 The report concludes by looking ahead to the forthcoming activities being undertaken by the service.

# Risk and Audit Service: Performance

Page 63

Audit and Governance Committee  
18 December 2019

David Eden  
Chief Internal Auditor  
Risk and Audit Service  
Corporate Resources  
Magdalen House  
30 Trinity Road  
Bootle  
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Agenda Item 7

## Contents

1.	Executive Summary	Page 3
2.	Introduction	Pages 4 - 5
3.	Internal Audit Performance Update	Pages 6 - 14
4.	Health and Safety Performance Update	Pages 15 - 22
5.	Insurance Performance Update	Pages 23 - 30
6.	Risk and Resilience Performance Update	Pages 31- 34
7.	Counter Fraud	Pages 35 - 36
8.	Looking Ahead	Page 37
9.	Conclusions	Page 38

Page 64



# 1. Executive Summary

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1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 6 September 2019 – 6 December 2019.

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

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

1.3 The report highlights the following key points:

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

## 2. Introduction

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

2.4 This report summarises the main aspects of the performance of the Service for the period 6 September 2019 – 6 December 2019, 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
- request amendments to current year Internal Audit Plan
- 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 6 September 2019 – 25 November 2019, 24 audits were completed. These can be summarised as:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
<b>2019/2020</b>				
ICT Leavers	Moderate	0	4	2
Accounts Payable	Major	6	5	1
Accounts Receivable	Major	7	12	4
One Stop Shops – cash handling	Moderate	3	3	4
Melling Primary School	Moderate	1	5	1
<i>Court of Protection / Appointeeship</i>	Moderate	1	2	3
European Social Fund	Moderate	0	3	3
<i>Procurement</i>	Moderate	0	5	6
<i>St. George's Primary School</i>	Moderate	0	7	1
<i>Valewood Primary School</i>	Moderate	0	3	4
Cash Handling at One Stop Shops	Moderate	3	3	4
M58 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
STEP 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
Pot Action Fund (18/19)	Assurance provided to facilitate certification			
Additional Pothole Action Fund (17/18)	Assurance provided to facilitate certification			
Flood Resilience Fund (17/18)	Assurance provided to facilitate certification			
Integrated Transport and HW Maintenance Grant (18/19)	Assurance provided to facilitate certification			
Troubled Families – Period 15 Grant Certification	Assurance provided to facilitate certification			
A59 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
Urban Traffic Control 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
<i>ASC Systems Development (previously LAS Project)</i>	<i>Ongoing Assurance Provided</i>			

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
<i>LCS Project</i>	<i>Ongoing Assurance Provided</i>			
<i>ContrOCC Working Group</i>	<i>Ongoing Assurance Provided</i>			
Operational Risk Register	Ongoing and additional support provided			

Where the audit is at draft stage the audit is annotated in *italics* in the above table

The high priority recommendations outlined in the audit reports can be summarised as:

**Accounts Payable**

- A number of recommendations have been suggested to improve the controls used to manage Accounts Payable effectively including updating documented procedures for staff to follow, updating the Council’s Financial Procedure Rules, ensuring that purchase orders are issued appropriately and there is adequate segregation of duties is in place for refunds.

**Accounts Receivable**

- A number of recommendations have been suggested to improve the controls used to manage Accounts Receivable effectively including updating documented procedures for staff to follow, updating the Council’s Financial Procedure Rules, design of Key Performance Indicators, earlier intervention to chase debts and the accounting treatment of the write off of debt from a central budget to service areas.

**One stop Shops**

- A number of recommendations have been suggested to improve the control of cash at the One stop shops including key management, the inclusion of floats on the Council’s balance sheet, existing procedural notes to be updated and cash records to be held in accordance with document retention guidelines.

The three audits above are part of a dedicated and targeted programme of work to review the key systems that came back to the council in October 2018 and that a full overview will be included at year end.

**Court of Protection / Appointeeship**

- The Council’s Financial Procedure Rules should be updated to include Appointeeship and Deputy responsibilities.

**Melling Primary School**

- A charge card payment form was incorrectly certified.

### 3.2 Key Performance Indicators

Description and Purpose	Target	Actual	Variance and Explanation
<p><b>Percentage of the Internal Audit Plan completed 2019/2020</b>                      This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.</p>	<p><b>65%</b>                      See graph below</p>	<p><b>50%</b>                      See graph below and narrative</p>	<p><b>15%</b></p> <ul style="list-style-type: none"> <li>• Time lag between the appointment of the Audit Manager and the replacement Principal Auditor.</li> <li>• Delay in recruitment of Trainee ICT- Auditor.</li> <li>• Provided additional support to assist with the embedding of Operational Risk Registers.</li> <li>• Management requested activity.</li> <li>• Increased preparation requirements for Annual Governance Statement 2020/21</li> </ul>
<p><b>Percentage of Client Survey responses indicating a “very good” or “good” opinion</b>                      This measures the feedback received on the service provided, and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	<p><b>100%</b></p>	<p><b>100%</b></p>	<p>No variance</p>

Description and Purpose	Target	Actual	Variance and Explanation
<p><b>Percentage of recommendations made in the period which have been agreed to by management</b></p> <p>This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	100%	100%	No variance
<p><b>Percentage of audit recommendations implemented at the original target date</b></p> <p>This measures the extent the effectiveness and timeliness to which management implements audit recommendations. Provides assurance that control weaknesses are addressed promptly.</p>	65%	100%	All recommendations reviewed in the quarter have been implemented within the original timescales in the action plan.

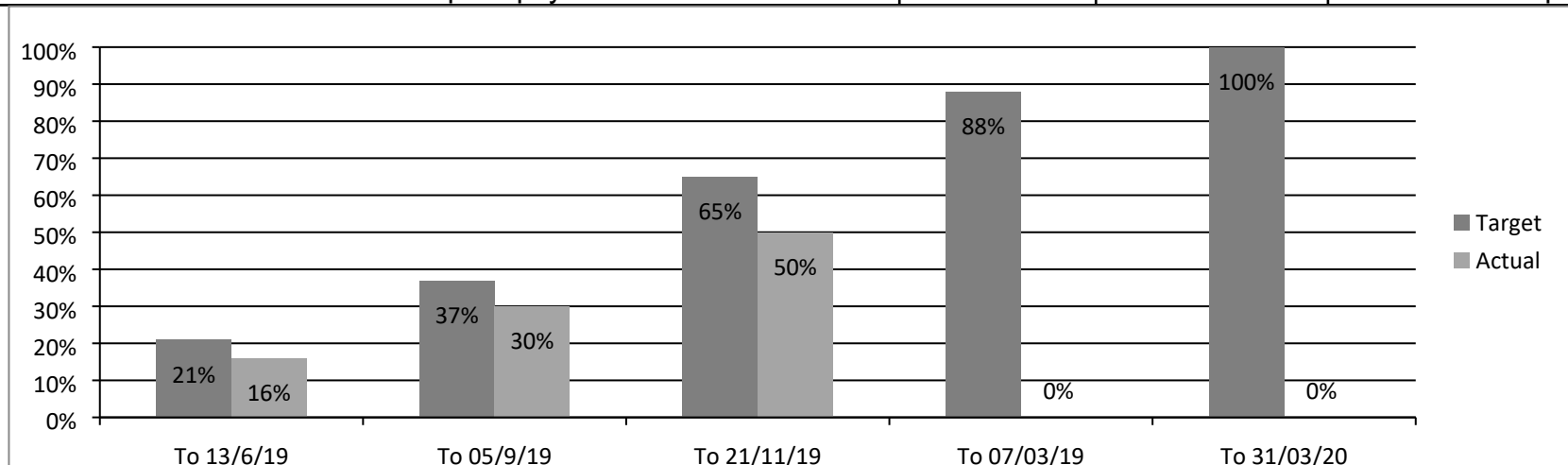


Figure 1: Percentage of the Internal Audit Plan 2019/20 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

### 3.3 Corporate Governance

An internal audit review of corporate governance was completed in August 2019 in accordance with principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government, 2016 Edition”. The review was undertaken following the completion of the AGS in June 2019. The review has demonstrated that the Council in the main complies with the principles and sub-principles outlined in the document.

From the review carried out, the findings are categorised as a “Significant Governance Issue” where the finding:

- Seriously prejudices or prevents achievement of a key target;
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- The external auditor regards as having a material impact on the accounts/value for money conclusion;
- Audit and Risk Management Committee advises that it should be considered significant;
- The Chief Internal Auditor identifies and reports on it as significant;
- It has been reported as significant by external bodies – for example Care Quality Commission, Ombudsman, Information Commissioner, independent consultants;
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body;
- May make it harder to prevent fraud or other misuse of resources;
- May put financial stability, security or data integrity at risk.

The “Significant Governance Issues” identified during the review were reported to the Strategic Leadership Board (SLB) on 13 June 2019 and were included in the AGS 2018/19 (in the form of an Action Plan) which was approved by Audit and Governance Committee on 24 July 2019. The AGS 2018/19 was duly signed by Chief Executive and Leader of Council before being published on 31 July 2019 as part of Council’s Statement of Accounts 2018/19. The progress on the completion of the Significant Governance Issues Action Plan is monitored and updates are provided to SLB and the Audit and Governance Committee for information.

Internal Audit completed a follow up review during November 2019 to ensure that work had commenced to address the significant governance issues identified and reported in the AGS 2018/19.

The table below provides details of the work completed to date.

No	Governance Issue	Source	Action to Address the issue	Timescale	Lead	Update November 2019
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No	Governance Issue	Source	Action to Address the issue	Timescale	Lead	Update November 2019
1	The Council's Core Purpose and Framework for Change Programme was introduced in 2016/17. It will be important that the Council can demonstrate how it is meeting the objectives set out within these strategic approaches as part of its overall performance management process. During 2018/19 the Corporate Performance Framework has been developed and is expected to be implemented in the financial year 2019/20.	Senior Leadership Board	Final Corporate Performance Framework to be completed and implemented.	31 March 2020	SLB	On-going work with Members and the Leader of Council – agreed to be taken annually at outturn.  Head of Corporate Resources and Head of Strategic Support currently evaluating options ready to populate in advance of outturn.  <b>31<sup>st</sup> March 2020</b>
2	A review of the Council compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption is partially completed.	AGS Review	Work will continue to complete the review and a report will be submitted to SLB for their consideration and action.	30 September 2019	Chief Internal Auditor	Review completed in September 2019 and report to be submitted to SLB for consideration and action  <b>31 December 19.</b>
3	The Council should ensure that it has appropriate arrangements to update its Constitution for key changes on at least an annual basis.	AGS Review	An annual review is currently being undertaken and will be presented to Council for approval on 18 July 2019. In the event that key changes arise outside of this they will be reported as required through Audit and Governance Committee and Council.	Throughout 2019/20	Chief Legal and Democratic Officer	The Constitution has been updated and approved by Audit and Governance Committee on 19 June 2019 and Council on 18 July 2019. The revised constitution was published in Sep 2019  <b>Completed.</b>

### 3.4 **Anti-Fraud**

The following anti-fraud work has been undertaken during the period by the Internal Audit Team:

- Internal Audit provided advice and support in conjunction with the Schools' Finance Team and Human Resources to school staff following a theft at a Sefton school. The stolen money has since been recovered by the school.
- Analysis was undertaken of suspicious and potentially fraudulent emails sent to one of the Council's suppliers by an employee. The motive of the employee was to mislead the supplier rather than obtain financial benefit from the communications. The employee resigned.
- There is an ongoing assignment at the request of management reviewing contractual arrangements and employee conduct. Audit are currently gathering and reviewing information on the area and progress will be reported to this committee in future reports.

### 3.5 **Public Sector Internal Audit Standards**

As previously reported to the Committee, following the external assessment in March 2018 which confirmed that the service "generally complies" with the Standards the team, the Audit Team has been continuing to implement the Development Plan to ensure the continued development and improvement of the service going forward, with a particular emphasis on the service being able to meet the expectations of a modern service. Progress during the quarter has been undertaken on the potential use of specialist audit software to improve the speed and depth of testing and developing an assurance map of the external sources of inspection that the Council is required to participate in.

### 3.6 **Resources**

- The recruitment process to the newly created Trainee ICT Auditor post is underway. This post was created following the deletion of the Value For Money (VFM) Auditor post, during the quarter 1 2019/20 re-structure, and will strengthen the team's capability in regard to ICT reviews. Internal Auditors will ensure that that the issues surrounding value for money are considered as part of every review that is undertaken.
- The temporary contract for the Principal Auditor recruited in June 2019 has been extended until the end of the current financial year to provide additional capacity across the Internal Audit Team whilst the recruitment of the permanent Audit Manager takes place.

- Staff development continues through a mix of office based webinar and discussion training, engagement with regional audit groups (such as for school audits, ICT audits and contract audits) and through external conferences and training events. One area which will benefit both the audit service and provide an excellent opportunity for staff development is a current exercise to undertake a gap analysis comparing our current practice with international practice standards of the Institute of Internal Auditors (beyond the headline practice areas specified by the Public Sector Internal Auditor Standards). An outturn report will be provided to Members in the Summer of 2020.
- To enhance Audit coverage and to address one area of weakness identified in the external assessment in 2018, the viability of specialist audit software, IDEA, is being considered. This is an exciting development and may have wide ranging impact on the way in which audits are undertaken in future. An update will be provided in future reports.

### 3.7 Updates to Audit Plan

As both an outward facing and proactive service, the in-year demands placed on Internal Audit can differ to those envisaged in March when this Committee approved the Audit Plan. To better reflect work undertaken to date and planned work for the remaining quarter of this financial year and to continue to provide the maximum value to the Council, approval is sought to amend the current Internal Audit Plan.

Audits removed from the current Internal Audit Plan will be considered for inclusion in the future 2020/21 Annual Audit Plan.

<b>Additions to Audit Plan</b>	<b>Days</b>	<b>Audits Removed from 2019/20 Plan</b>	<b>Days</b>
<b>Annual Governance Statement 2020/21</b> Additional time to meet legislative requirements	14	<b>Housing Options</b>	10
<b>Operational Risk Registers</b> Additional support to assist with the embedding	12	<b>Public Health Outcomes</b>	10
<b>Cash Handling – Golf and Leisure Centres</b> Specific Request of Management	14	<b>Sandway DC</b>	15
<b>Counter Fraud</b> Staff Development	3	<b>Health and Safety</b>	10
<b>Contractual Arrangements and Employee Conduct</b> In year development	35	<b>Commercial Activities</b>	15
<b>ContrOCC Project Support</b> New project	5	<b>Multi-agency Agreements</b>	15
<b>IDEA Planning and Business Case</b>	4	<b>Call Centre</b>	15

Additions to Audit Plan	Days	Audits Removed from 2019/20 Plan	Days
Internal Audit improvement plan			
<b>North West Procurement Group</b>	3		
Participation in new regional group			
<b>Total</b>	<b><u>90</u></b>		<b><u>90</u></b>

### 3.8 Developments

The following developments are due to be completed within the quarter in addition to the planned activity on the Internal Audit Plan

- A review of the current internal audit reports to simplify the presentation with the aim of improving clarity and reducing time spent producing the reports.
- Develop proposals on the use of specialist audit software
- Recruitment of a permanent Internal Audit Manager and Trainee ICT Auditor.
- Consider the resourcing implications from the recruitment of the Internal Audit Manager
- Develop the Internal Audit Plan for 2020/21 to be presented to the Audit and Governance Committee in March 2020.

## 4. Health and Safety: Performance Update

#### 4.1 Work Completed

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

- The new post of Health and Safety Co-ordinator, included in the Quarter 1 2019/20 re-structure, has now been advertised externally following an internal advertisement with interviews due to take place in December/ January. A temporary Health and Safety Adviser has been in post since July 2019 to provide capacity whilst a recruitment exercise was undertaken.
- The Health and Safety Team completed a risk assessment training exercise during October and November 2019 for 250 managers who are required to complete risk assessments for their staff as part of their role. The training requires managers to refresh existing risk assessments and for the completed documents to be reviewed by the Health and Safety Team during December 2019/January 2020.
- The Council's claims management provider, Gallagher Bassett, provided a free accredited Institute of Occupational Safety and Health Managing Safely course for the Council's Health and Safety Co-ordinators who attended between 9 – 17 September 2019.
- In addition to the Managing Safely Course, Gallagher Bassett also delivered a Control of Contractors course between 11 June and 1 October 2019 for which 23 staff attended.
- A Risk Management for Highways Professionals course, which 18 staff attended, was also delivered on the 2 October 2019. This was held to assist the Highways Section following the introduction of the Highways Infrastructure Code of Practice in October 2018.
- Work is continuing in the development of a Council's health and safety training needs assessment which will eventually build into the Council-wide health and safety training plan.
- Health and Safety Key Performance Indicators have been devised which include information from the Departmental Health and Safety Committees and is fed back to the Corporate Health and Safety Committee. There has been steady progress during the year on improving governance, risk assessments and training.

- Work continues to further embed the Departmental Health and Safety Committees into the Council’s health and safety framework with Heads of Service being encouraged to plan three meetings in advance to ensure these meetings are a priority for the forthcoming year.
- A revised standard core agenda for the various health and safety sub-committees has been designed and provided to the Heads of Service to ensure a consistent approach at each meeting.
- A member of the Health and Safety team has recently undertaken a Radiation Protection Officer course to act as the Council Co-ordinator between the Radiation Protection Supervisor at CLEAPSS, the Consortium of Local Education Authorities for the Provision of School Science, and the schools who buy into the scheme. This aims to ensure the safe storage and use of radioactive sources which are held and used in schools as part of practical science to meet the requirements of the National Curriculum.
- A course was also attended on the EVOLVE on-line system, which was facilitated by the Health and Safety team for the use of schools for planning, approving and managing educational visits and extra-curricular activities.

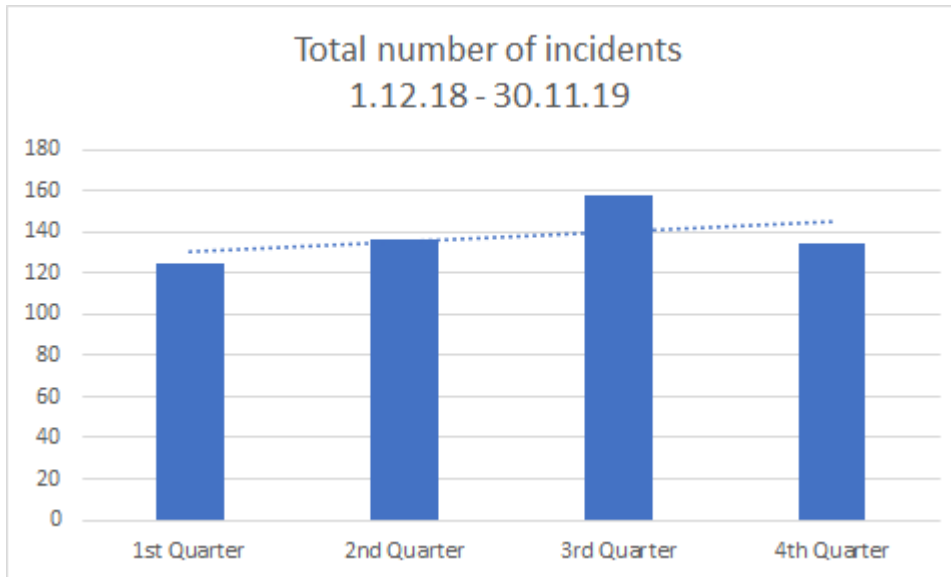
**4.2 Developments during the Quarter**

There has been contact with the Health and Safety Executive (HSE) in an enforcement capacity following the reporting of an incident at one of the Council owned premises. An improvement notice was issued at the time of the incident and the HSE is currently investigating the incident and further enforcement action may be taken as a result of the review. The Health and Safety Team are working closely with the local management team to ensure the lessons learnt from the incident are implemented to enhance the local health and safety system.

**4.3 Key Incident Data**

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

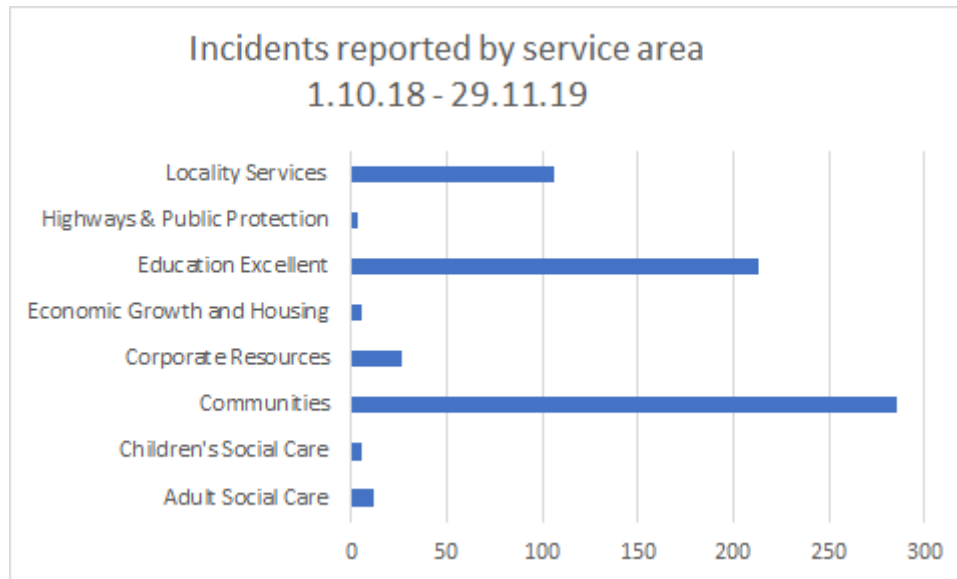
The chart below shows the total number of incidents reported across all service areas over a 12-month period from 1 December 2018 to 30 November 2019.



The above chart shows a small decrease in the number of incidents being reported compare to the previous quarter. Whilst a decrease in reported incidents could potentially be seen as a positive outcome there is believed to be both mis-reporting in a number of Service Areas and under reporting of incidents which is discussed below in the report. The accurate picture of reported incidents and near misses is a key element of an effective health and safety system as it enables the organisation to understand trends and set out actions to address key weaknesses in processes that are identified through analysis of the incidents.

A priority for the Health and Safety Team during the next six months is to raise awareness across the Council to improve the reporting of incidents and near misses which will assist in identifying underlying issues and trends. The Team will be working with colleagues in Communications to improve the accuracy of the numbers of incidents that should be reported.

The charts below show the number of incidents reported by Service areas from the period 1 October 2018 to 29 November 2019 as reported by managers on the Council's Incident Reporting system.

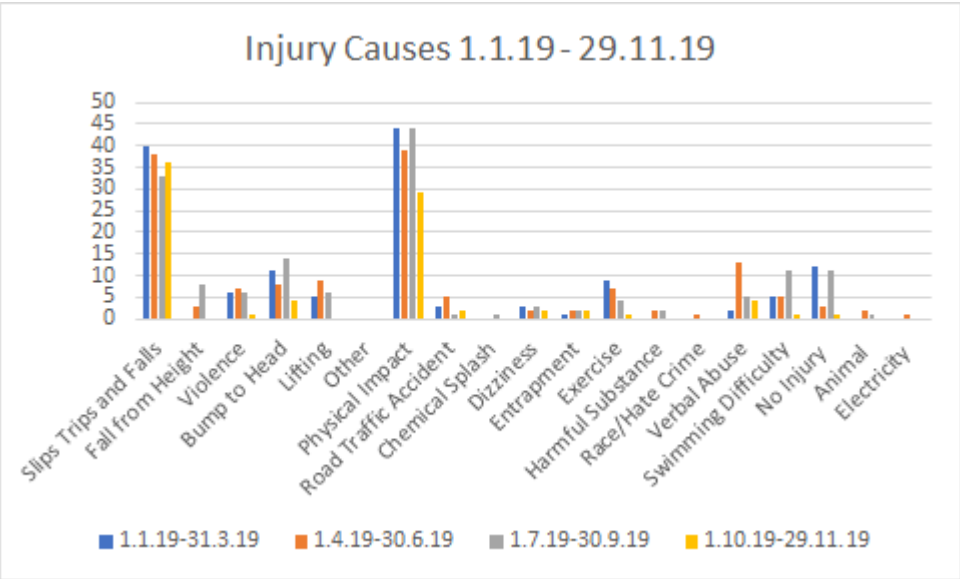


Communities and Education Excellence have recorded the largest number of incidents reported during the period. On investigation, it is noted that the two areas are recording incidents which are outside of the definition of work-related accidents, incidents and near misses involving employees, contractors and members of the public. The over reporting of incidents includes minor slips for children in the playground during normal play and members of the public being dizzy from the use of a sauna. Staff are recording the non-work-related incidents on the work-related incident reporting system in case further issues are raised and action is required.

In addition, from discussions with teams across the Council we are aware that there is also under reporting stemming from lack of awareness of the importance to report incidents by employees no matter however potentially trivial it may seem and perception as to whether an incident should be reported. This can be particularly seen in verbal abuse related incidents.

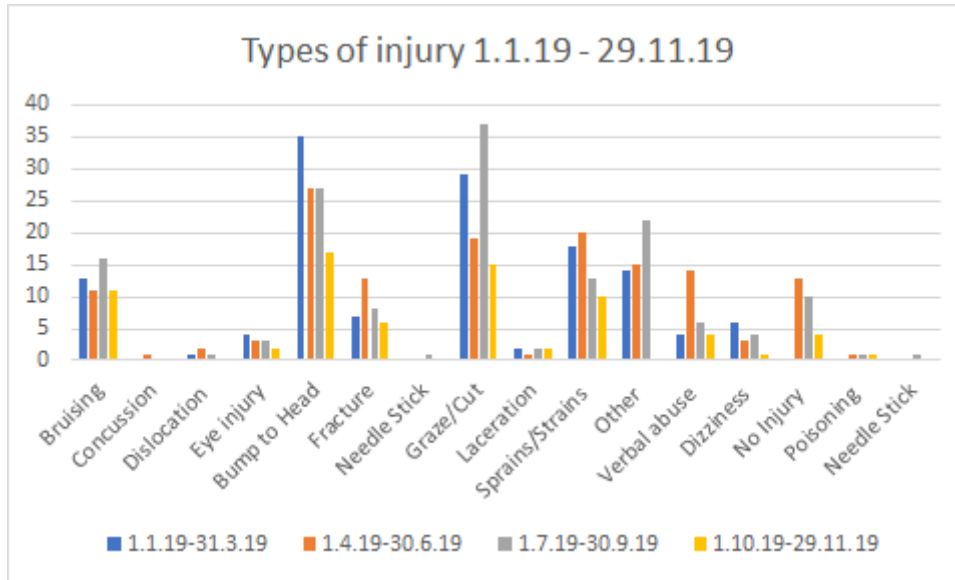


The charts below show the key injury causes for from the period 1 January 2019 to 29 November 2019 as reported by managers on the Council's Incident Reporting System.



In the last quarter, the main type of injury cause is slips, trips and falls followed by physical impact. It should be noted as in the previous chart there is evidence of the over reporting with for example the injury causes of swimming difficulty and exercise.

The charts below show the key types of injury from the period 1 January 2019 to 29 November 2019 as reported by managers on the Council's Incident Reporting system.

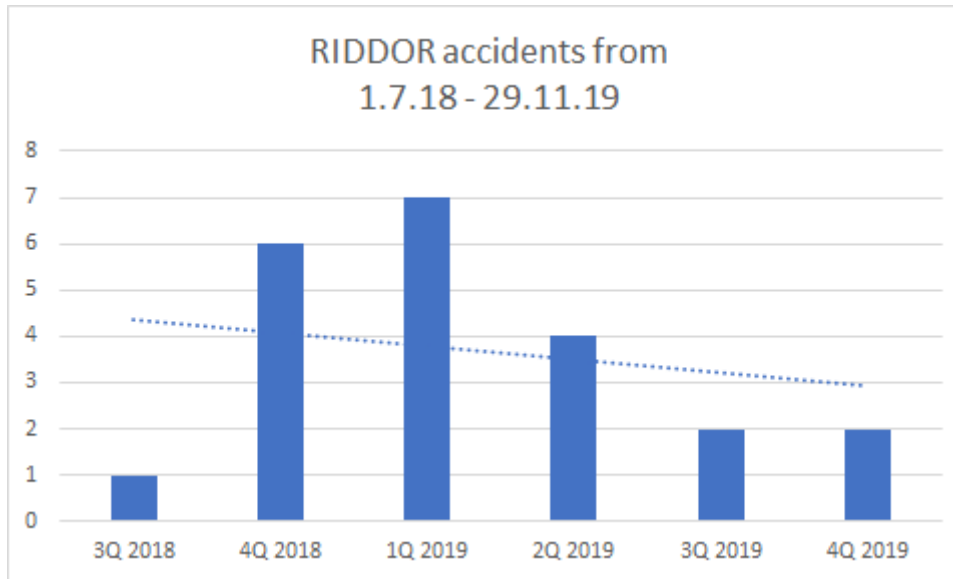


During the last quarter, the main type of injury following an incident is bump to the head followed by grazes and cuts.

Of particular note from the chart is that of the 14 fractures reported over the last two quarters, only one is workplace related where the injured person tripped over in a workplace environment and broke their nose. The other 13 reported fractures involved pupils running and tripping over in the playgrounds, sports injuries and one miss reported incident.

Other reported injuries are injuries not named in the dropdown box and reflects where the manager reporting the incident has not put the type of injury into the recording system and it has defaulted to other injury. We will be working with managers to ensure that the incidents are accurately recorded.

The chart below shows the number of incidents reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) since 1 July 2018 to 29 November 2019.



The chart shows an improving trend in RIDDOR accidents since the peak in the first quarter 2019 and an overall downward trend.

The two RIDDOR incidents relate to:

- A member of staff walking down the stair, slipped and twisted their ankle. The stairs were dry with no contamination or defects.
- A member of staff was injured after being grabbed and pushed by a service user.

There were no significant trends or incidents within the data that required intervention There has been no contact with Health and Safety Executive regarding any of the reports.

The incidents reported through the incident reporting system are reviewed by the Health and Safety Team on an on-going basis.

#### 4.3 **Developments**

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

- Completing the design of the health and safety training needs assessment before rolling out across the organisation to inform the completion of the Council Health and Safety Training Plan.
- Design of the health and safety training material and assessment of the cost of the training to be included in the Council Health and Safety Training Plan.
- Continuing the delivery of risk assessment training presentation for all the outstanding managers who have responsibility for one member of staff or more and have the responsibility to undertake risk assessments.
- Continue to deliver a health and safety management inspection regime involving schools with a service level agreement with the Council this will provide assurance that the schools health and safety management systems are suitable and sufficient. An approach will be developed where the Council retains responsibility for the management of health and safety at the school where the school currently does not have an SLA with the Council.
- A review of the service level agreement with schools will be undertaken to ensure it effectively and efficiently provides assurance where the Council retains the health and safety management responsibility for the school. Options will be designed for schools where the governing body retains responsibility for health and safety so that the Council's health and safety team can provide suitable assurance on the design and operation of the school's health and safety management system.
- A focus on improving the accuracy of incident reporting across the Council.

## 5. Insurance: Performance Update

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### 5.1 Work Completed

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

- Renewal of the Authority's insurance policies took place on 29<sup>th</sup> September 2019 and, as forecasted, produced no major changes with terms and conditions remaining unchanged. Expiring rates were also maintained except for the motor policy, where there was a 5% increase, which insurers felt they could not sustain going forward because of the recent change in the Ogden rate (used to calculate future losses in personal injury claims). In addition, there was a small uplift in the Marine Craft premium due to both inflation and an increase in exposure.
- A mini tender exercise via The Chest has also been completed for the following policies, which had not been tendered with the main insurance programme in September 2018, due to their specialist nature, so that in time they will fall in line with the main policies tender timescales and the procurement demonstrate value for money:
  - Premises Pollution for Sefton Council
  - Directors & Officers Insurance for the Mayors Charity
  - Directors & Officers Insurance for Sandway Homes
  - Directors & Officers Insurance for Sefton New Directions
  - Professional Indemnity and Public Liability for Sefton Arc
  - Cyber for Sefton Council

Except for Directors & Officers Insurance for Sandway Homes, expiring terms and ratings were maintained and a small reduction for Sefton Arc was also achieved. The increase in exposure as a result of moving forward with the building plans for Sandway Homes produced a substantial increase in proposed premium for Sandway Homes Directors & Officers policy.

- The Department for Education (DfE) recently put forward a Consultation Paper for all Local Authority Maintained Schools (LAMS) to secure their future insurance cover through an extension of the Risk Protection Arrangement (RPA) that most, if not all, Academies currently utilise. A large exercise, in consultation with colleagues in Finance, was undertaken before the DfE were provided with a response to meet the 4<sup>th</sup> November deadline. Full detail of the cover to be made available

to LAMS is not yet known, however from the results of the exercise undertaken, economies of scale will be lost and if LAMS transfer to the RPA scheme, there will be a likely increase in net costs to the Council. Although a set date is not yet known, the result of the consultation is expected in the January 2020.

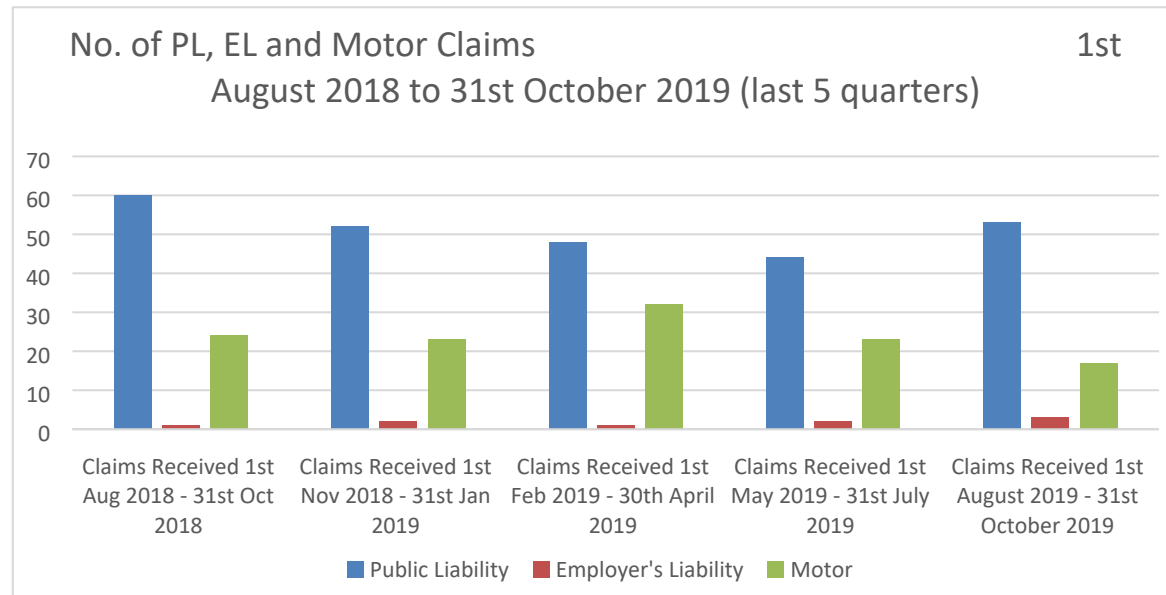
- Under the terms of the Council's contract with its liability insurers, an allocation of training days to assist with implementing effective risk management across the organisation is available. The Council makes regular use of these days and a recent event was held to assist colleagues in the Highways Team following the introduction of the new Well-Managed Highways Infrastructure Code of Practice in October 2018. The session was well attended and as well as giving insights into the subject matter also provided assurance on the effectiveness of the processes that Highways currently have in place.
- The Council continues to defend cases robustly to protect the public purse. The team also works extensively with Service Teams to improve the management of insurable risk in areas where there are high numbers of claims. The Council generally has high defensibility rates and such risk management activity will assist in maintaining and potentially improving the position further. Since the last update, there have been no claims that have been contested in court which is pleasing in itself and which provides a degree of assurance that the Council's risk management practices are effective.
- The Team continue to attend as many free of charge seminars/workshops as possible to raise awareness and increase knowledge of current trends, opportunities and developments within the sector.

## 5.2 Key Claims Data

The following graphs outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and motor received by Sefton Council for the period 1 August 2018 to 31 October 2019.
- Value of the reserves for PL, EL and motor claims received by Sefton Council for the period 1 August 2018 to 31 October 2019.
- The average reserve value for PL, EL and motor claims received by Sefton Council for the period 1 August 2018 to 31 October 2019.

The graph below outlines the number of claims for PL, EL and motor received for the period of 1 August 2018 to 31 October 2019



Despite a steady reduction in numbers of PL claims received in the first four quarters, numbers have increased by 20% between the fourth and fifth quarter. Overall however, numbers have reduced by 12% from August 2018 to October 2019 and remain at an acceptable level. The majority of claims received in the last quarter relate to standard slips, trips and falls.

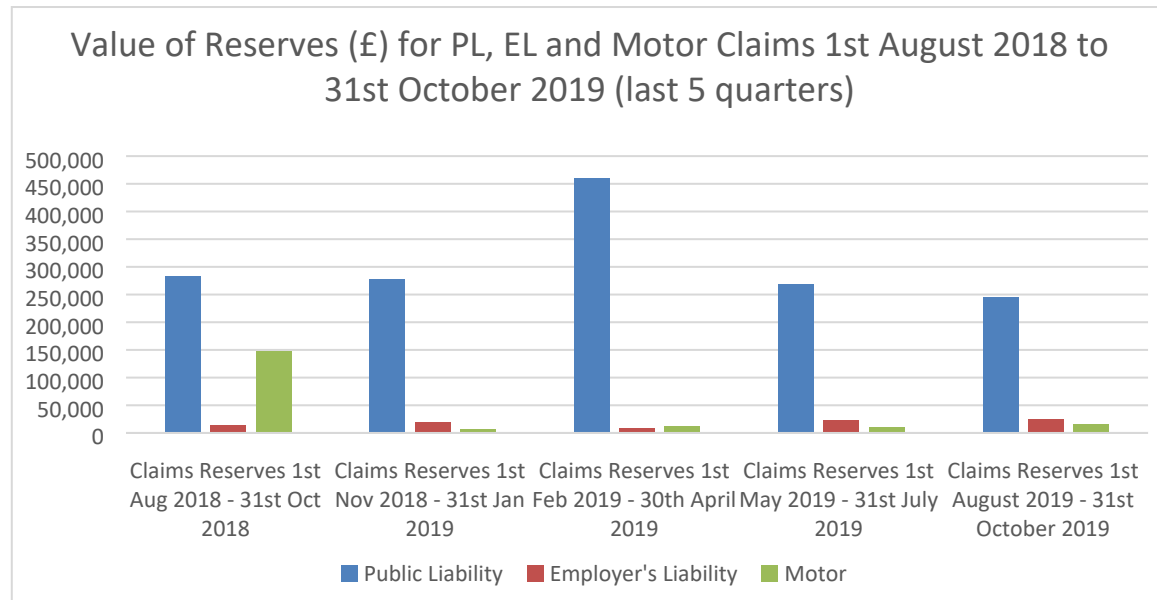
EL claims have once again remained low throughout the period which is a continuance of historical good performance.

The numbers of motor claims have varied over the period with a recent declining trend being evident in the data which looks promising. The majority of the motor claims received continue to be minor scrapes and bumps to our own fleet of vehicles.

Overall there has been a decrease of 14% in the number of claims over period, the current profile of claims numbers on all three areas presents no sign for concern at this point however the numbers will continue to be monitored for any changes in trend.

Working alongside the Authority’s external Claims Handler’s and other service areas, the Insurance Team continue to defend claims wherever possible and recover monies from third parties where applicable.

The graph below outlines the value of the reserves for PL, EL and motor claims received for the period 1 August 2018 to 31 October 2019.



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

The steady reduction in PL claims numbers, is, with the exception of the February to April 2019 quarter, also reflected in the reserves. The period saw a 65% increase in reserve from the previous quarter and this was due to more serious and/or



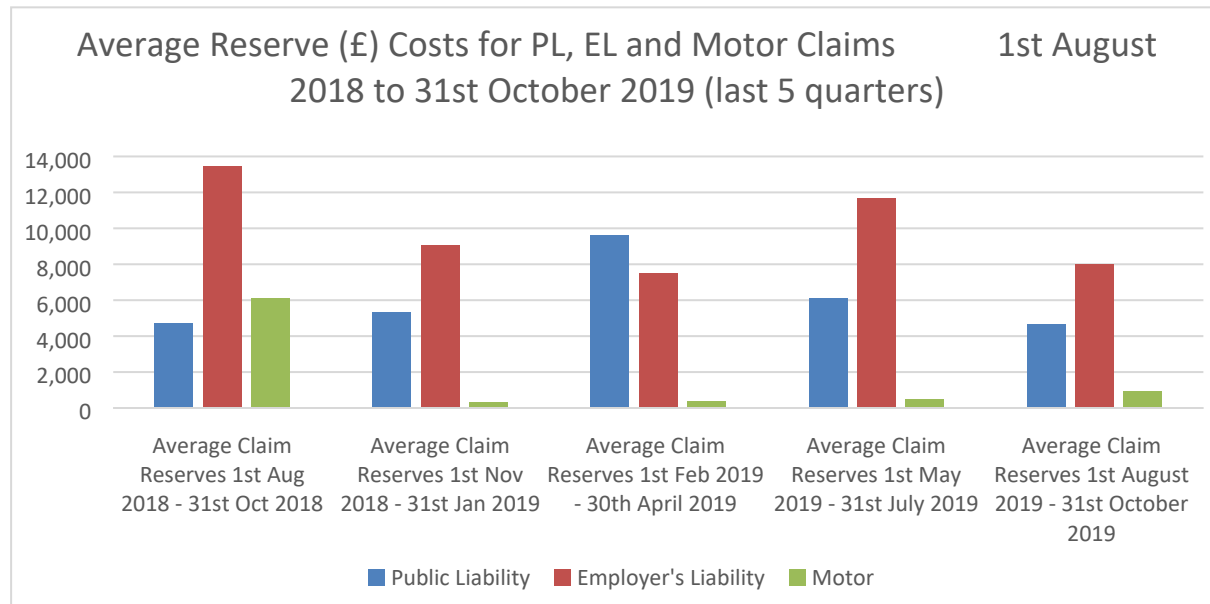
complex claims being presented. It is pleasing however that since then, reserves have reduced by 47% and overall remain 13% lower than at the start of the period.

Despite EL claims remaining at a low level, reserves have varied over the period however this is due to the numbers received and injuries sustained. The lowest reserve was £7.5k relating to a fall resulting in the employee suffering muscle damage to the arm with the highest reserve being £13.5k for injuries to the back and knees. The latter claim was however successfully referred on to an Academy school being the responsible party for the area where the fall took place.

Although there has been some fluctuation over the period, motor reserves have, except for the August to October 2018 period, improved over time. The large spike in reserves for the August to October 2018 period is due to the increase of claims received and a number of larger valued claims. By the end of the reporting period the reserves have significantly decreased again.

The trends in claims performance will continue to be monitored.

The graph below outlines the average value of the reserves for PL, EL and motor claims received for the period 1<sup>st</sup> August 2018 to 31<sup>st</sup> October 2019



The above demonstrates that the trends discussed in the number of claims and the value of the reserves are reflected in their impact on average claims size.

- Average PL claims size has, despite the spike in February to April 2019, remained stable from the outset.
- Average EL claims size has varied during the period and has seen a 40% decrease at the end compared to the outset.
- Average motor claim size has reduced from £6,113 to £896 although this is mainly because of the peak in August to October 2018.

### 5.3 Developments

- The end of the year will see liaison with the Chief Legal & Democratic Officer to establish a new contract for the representation of the Council in litigated insurance claims via the North West Legal Consortium Framework to be effective from 1<sup>st</sup> April 2020.

- Although dependent on the outcome of the DfE consultation on LAMS moving to the RPA scheme, the Team will liaise with colleagues in Finance early in the new year in order that a new Insurance SLA for Schools can be produced in time to commence on 1<sup>st</sup> April 2020.
- Due to re- allocation of resources over the recent past, it has become apparent that some service areas have changed their inspection regimes which may result in more insurance claims being received and potentially hinder the Council in defending the claims. Recent meetings have been held with Car Parks and Green Sefton to understand their current approach and assist them in ensuring that the inspection arrangements will be able to be effective in defending public liability claims. An update will be provided to future meetings.
- The allocation of risk management days will continue to be used to develop the Council's management of risk and its impact on insurable risk. The days have already been used to great effect to supplement the Council's inhouse training offer and as an aside to the meeting mentioned above, Green Sefton have already put their IOSH training to good use by creating a Health and Safety Plan for their service.
- As previously reported, the current contract with the Authority's Insurance Brokers, Aon, is due to end on 31<sup>st</sup> March 2020. The Insurance Team have met with colleagues in Procurement to move forward with the tender process via The Chest. Work is now underway to build up an attractive specification in order to receive as many bids as possible from within the broker market to enable, after full evaluation the best supplier to be appointed to assist Sefton with its needs over the coming years.
- The Team are also liaising with Procurement colleagues with regard to a tender for re-valuation of some of the Council's buildings to ensure that values are up to date and, in the unfortunate event of a major claim, insurers do not apply the average clause due to any under insurance.
- As a consequence, of the introduction of agile working and the widespread use of laptops, it has become apparent that guidelines and processes regarding the use and care of such items requires to be updated. A preliminary meeting has been held with the ICT Client Team and the outcome was that a user document will be developed to be distributed to all service areas outlining a revised process.
- Sefton is member of the North-West Insurance Officers Group and at a recent meeting an idea of creating a questionnaire between members was discussed with the aim of developing common insurance related performance measures across the various insurance teams. Although currently at its early stages it is hoped that once the subject matter is agreed and

responses received that Authorities will be able to benchmark themselves against others in relation to performance - claims received, claims paid etc.

- Plans are still underway, in conjunction with colleagues from the Health and Safety and the Property and Asset teams to discuss the findings and suggested improvements highlighted in Zurich's Portfolio Risk Review report and to draw up an action plan to address the findings. To date, Zurich have surveyed two thirds of the properties that were identified for the 2019/2020 year. Action has been undertaken on some of the findings from the reports already.
- A review of the Property Schedule utilised by the Insurance Team to establish a list of Council owned buildings requiring insurance and their value for such purposes is required to be undertaken to align service areas to the new corporate operating structure.
- As the Council continues to change and commercialism develops, discussions will continue with the current Insurance Broker to ensure that all new risks/liabilities to the Council and associated companies are identified, and where appropriate relevant insurance cover is sourced and procured.
- Regular meetings will continue with the Council's brokers, insurers and claims handlers throughout the year to ensure the smooth running of the Councils contract with each provider.
- In order to keep up with current legislation, trends in claims and the insurance market in general, the Team will continue to attend any free of charge seminars, workshops or meetings offered from market suppliers.

## 6. Risk and Resilience: Performance Update

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### 6.1 Work Completed

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

- A considerable amount of time was taken supporting each of the Council's service areas in identifying their key risks in the event of a no-deal EU exit. The Ministry for Housing Communities and Local Government (MHCLG) continue to use established Civil Contingencies structures to assess community and agency risk and co-ordinate preparedness for a 'no deal' scenario relating to the UK Government EU Exit strategy. The Risk and Resilience officers have delivered a key support role to the Council's internal steering group and multi-agency partnership working in the run up to the extended departure dates.
- Strategic and Tactical level officers have been designated as Single Point of Contacts for co-ordinating EU Exit related matters on behalf of the council and link in to the Local Resilience Forum (LRF) multi-agency working groups via the Risk and Resilience team. Officers and ourselves participate in weekly Tactical Co-ordinating and regular Strategic Co-ordinating Group meetings in addition to various targeted Task and Finish work groups creating plans to mitigate specific areas of risk e.g. potential road congestion around the Port access routes. Plans Resolvare and Ro-Ro have been developed collaboratively to address this risk
- Sefton Highways Management also submitted a successful joint capital bid for funding on behalf of Merseyside Resilience Forum partners to deliver additional infrastructure at the identified holding locations for HGVs temporarily unable to board EU bound ferries due to incomplete documentation requirements.
- We have undertaken joint site visits, consultation meetings, workshops and exercises to continually review and test the plans. Progress is reported regularly to the Border Delivery Group, MHCLG, Liverpool City Region Chief Executives and LRF partner agencies. Consideration has also been given to how the Council will provide operational response within the activation phase of a multi-agency Information Cell and staffing of the shift rota should this be required to activate.
- In the run up to 31 October 2019, the team have reviewed and completed reporting templates for submission to MHCLG as required under Operation Yellow hammer. This outlines the Command, Control and Co-ordination arrangements that central government have requested all responder agencies to adhere to whilst assessing existing and emerging risks for the UK daily and provide a common operating picture of activity to ministers.

- A workshop was arranged in early September for members of the Sefton Council internal steering group for EU Exit planning at the request of the group Chair. The event aimed to explore and identify the nature of potential risk from a no deal scenario and how this may affect council service delivery. It was delivered by an external facilitator from Zurich, one of our Insurers. The event was well attended with representation from most service areas of the council.
- Following the workshop, the Risk and Resilience officers took an action to organise and deliver Service Area based risk assessment sessions. Heads of Service nominated representatives from their departments and we held a session for each, to facilitate development of LA generic EU Exit risk registers using national planning assumptions outlined under the central government Operation Yellowhammer guidelines.
- The risk registers were sent to Heads of Service for sign off and presented to the internal steering group for shared understanding of the common themes and identification of gaps for further work. This will also integrate with the controls and action plans identified for the EU Exit risk referenced on the Corporate Risk Register.
- Implementation of actions identified in the Risk and Resilience Improvement plan continue to take the work areas of Business Continuity, Emergency Planning and Risk Management forward.
- Following completion of Business Impact Analyses (BIA) for all service areas of the Council, a template for a Business Continuity Recovery plan was developed. The data collected from the BIA's and from further meetings with relevant plan owners was used to populate the recovery plans from across all the service areas. This work has now been completed for all operational teams in the Council.
- During September, there were protracted incidents of surface water and watercourse flooding, particularly in the Maghull area, from extreme rainfall events which affected some residential properties. Risk and Resilience officers were in attendance both in and out of hours with on call Emergency Duty Officers, colleagues from Green Sefton and the Environment Agency to go to site, meet with residents and assist with deployment of sandbags and flood sacks.
- The Team have organised/ attended various training exercises and events that have been hosted by the Merseyside Resilience Forum (MRF) including;
  - i. **Merseyside Shoreline Pollution - Annexe to the Merseyside Emergency Response Manual (MERM).** The Merseyside coastal LA s (Sefton, Wirral and Liverpool) lead on this piece of work and have recently completed a new and updated multi-agency plan for validations and sign off by the MRF. Sefton Risk and Resilience team led the organisation of an event to walk partners and stakeholders through the plan and raise awareness of how this type of incident is managed by inviting

presentations from key role players such as the Maritime and Coastguard Agency Counter Pollution team and the Environment Agency. Colleagues from across the council attended and feedback comments to shape the next steps which is to re-visit individual Local Authority plans.

- ii. **Exercise Elsa 2** - NHS (England) led event with Local Authority, Social Care and mental health providers to explore the challenges of how we can best plan in response to psychological and trauma needs of people caught up in major emergency incidents. A model formulated at the time of the Manchester Arena attack was debated and adaptations suggested for how this may apply in a Merseyside / Cheshire setting.
- iii. **Exercise Discous** – a week-long National Counter Terrorism event hosted by Merseyside Police. Sefton officers designated as on call Emergency Duty Co-ordinators, Communications and Resilience team officers took part in the live play and table top scenarios to test council consequence management capabilities.
  - Further development of Sefton’s planning for Operation London Bridge has taken place and will continue in review to ensure the expectations of local residents are fulfilled. This plan will be tested during an exercise in December.
  - In September, a member of the team attended Alarm’s Northern Seminar where topics presented included Managing the Risk of Cyber Breaches and Developing Organisational Resilience.
  - The Risk and Audit Team have attended a selection of operational risk management meetings to improve insight of key risks and their subsequent mitigations.
  - The Corporate Risk Register has been reviewed and is due to be presented to the Audit and Governance Committee for approval. Meetings with risk owners continue to be held to ensure ongoing improvement to risk management arrangements across the Council.
  - An updated version of the risk scoring matrix is currently being prepared for consideration and will be presented for approval. This will encourage a comprehensive review of the scoring of the existing risks to the council and ensure that any new risks identified are scored appropriately.

## 6.2 Developments

- Following production of recovery plans for all operational teams within the council, a template is now being developed to introduce Business Continuity Plans at service level. The team will work with Heads of Service to ensure appropriate information from each operational plan is identified and used to populate the procedures at service level
- During the quarter, members of the risk and audit team attended risk management meetings to facilitate the update of 22 operational risk registers. The remaining registers will be reviewed next quarter in line with the recommendations of the review cycle
- An exercise will be held to ensure that the correct considerations have been made for Operation London Bridge plan to be delivered in a timely and appropriate manner
- The team will keep a watching brief on EU Exit negotiations to ensure appropriate response is taken should the no deal scenario prevail.



## 7. Counter Fraud: Performance Update

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### 7.1 Work Completed

- Following a review in September 2019 of the 2018 CIPFA Fraud Risk Assessment, the document has been updated with roles, key responsibilities and an action plan.
- On 16 October 2019, the Cabinet Member for Regulatory, Compliance and Corporate Services approved the submission to Cabinet on 5 December 2019 of the revised Sefton Council Anti-Fraud, Bribery and Corruption Policy (the Policy).
- The Policy has been reviewed and revised to strengthen and improve the Council's overall arrangements for the prevention, detection and investigation of fraud, bribery and corruption. It provides guidance on how any individual can report, in confidence, any suspected fraudulent or corrupt activity.
- The Policy will support the Council's commitment to creating an environment in which fraud, bribery and corruption is minimised and complements a number of other Council policies which support internal controls and standards of behaviour. For example, for example - Whistleblowing Policy, Code of Conduct for Members, Code of Conduct for Employees and ICT Acceptable Use Policy.
- The Policy also includes a statement from the Council's new Chief Executive acknowledging the Council's responsibility for taking actions in response to the risk of fraud and corruption.
- Checks of Council Tax discounts and exemptions continue to be undertaken by the Assurance Officers to assist in the development of a Fraud and Corruption Control Plan (detailing where controls to prevent fraud and error entering the Council Tax system will be improved as a result of risk assessment).

### 7.3 Developments

A detailed action plan has been put in place by the Assurance Manager to ensure progress is being made with regard to Counter Fraud, which includes the following activities: -.

- The increase in capacity within the Risk and Audit team from July 2019 to deal with the level of fraud risk across the Council is already seeing progress.
- Councils Anti-Fraud strategy (the Strategy) is being defined with mechanisms put in place for developing the capability and capacity in Sefton Council to punish fraudsters.
- The Strategy will align with best practice and the Government's "Fighting Fraud and Corruption Strategy".
- Having the right skills and standards to investigate fraud involves a current proposal for the professional training, development and accreditation of two officers within the existing Risk and Audit structure.
- Collaboration has taken place by a number of officers from the Risk and Audit team working across internal and external boundaries with colleagues from other local authorities, regional networks and other agencies, sharing resources, skills and learning about good practice and innovation, and the sharing of information.
- The Strategy aims to create a culture within the Council in which beating fraud and corruption is part of daily business.
- A Council wide approach to an anti-fraud communication plan will be put in place.
- The development of an effective Fraud Risk management plan to assess the Council's overall vulnerability to fraud and identify key risks and controls within the Council. This will include a separate operational Fraud Risk Register for the assessment and measuring of fraud risk and the effective management of current/emerging risks.
- North West Counter Fraud Pilot initiative.
- Review of other major fraud areas, for example Business Rates, Council Tax Reduction Scheme (CTRS); Blue Badges; Disabled Grants; Adult Social Care payments including Direct Payments.
- Develop and agree a methodology to measure fraud losses.
- Provide an Annual report on key developments and changes in respect of counter fraud activity.
- Continue to monitor, review and update the CIPFA Fraud Risk Assessment.
- Co-ordination of the Council's work on the National Fraud Initiative (NFI) in which the Council is required by law to participate.
- Compilation of the Council's return to the CIPFA Counter Fraud Tracker, which compares fraud detection levels with peers.
- Compilation of a Counter-Fraud Internal Audit Plan, which identifies a number of areas for proactive anti-fraud review for completion in 2019-20.
- Investigation of referrals of suspected fraud and irregularity.

## 8. Looking Ahead

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

- The embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
- Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
- Continued delivery of the Internal Audit Plan 2019/20, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Building up Business Continuity Plans at Service level and the starting of limited testing of existing business continuity plans.
- Delivery of the final Health and Safety Risk Assessment Training sessions for Managers and designing a health and safety training needs assessment.
- Developing the Council's Counter Fraud approach firstly through rolling out the actions from the CIPFA Fraud Risk Assessment.
- 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.
- Developing service improvement plans for the Risk and Audit Team

## 9. Conclusions

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- 9.1 Internal Audit has made promising progress in the completion of the Internal Audit Plan 2019/20 in the period partially due to the timely recruitment of a temporary Principal Auditor to backfill the secondment of the Post Holder to Audit Manager. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service.
- 9.2 The Council's accident record continues to be positive. There is a significant workload of activities required to improve the health and safety management system over the next six months with the associated aim of improving management of health and safety risk. There remains a focus on establishing a clear system for gaining assurance of compliance across all Council buildings.
- 9.3 The Council's insurance claims performance remains good.
- 9.4 Further work is planned to improve risk management within the Council by adopting enhanced risk management techniques and ensuring that there is an effective review of risk registers in place.
- 9.5 Progress has been made in embedding business continuity with a clear road map for the next six months. There are clear implementation plans in place across each of the service areas to deliver improvements which will result in improved services as well as an integrated risk and audit approach.
- 9.6 The recent addition of the Assurance Team into the wider Risk and Audit function has already lead to tangible improvement in the Council's Counter Fraud arrangements firstly from the review of the existing governance arrangements.

# Agenda Item 9

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	18 December 2019
<b>Subject:</b>	Write Off of Irrecoverable Debts >£10,000  Revenue Service – Write off of irrecoverable Business Rates, Sundry Debts and Housing Benefit Overpayment debts with balances over £10,000		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No - but 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 1-3 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 £288,483.50.

## 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 will be removed from the system

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

Not to write off the debt.

# Agenda Item 9

## 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. No debts have yet been written off in 2019-20

### (B) Capital Costs

Not Applicable

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
None
<b>Legal Implications:</b>
None
<b>Equality Implications:</b>
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 (FD5858/19) and the Chief Legal and Democratic Officer (LD4092/19) 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.

<b>Contact Officer:</b>	Mark Barry, Revenues and Accounts Payable Manager
Telephone Number:	0151 934 4361
Email Address:	mark.barry@sefton.gov.uk

## **Appendices:**

The following appendices are attached to this report:

- Appendix 1 - Business Rates accounts over £10,000.
- Appendix 2 - Sundry Debt accounts over £10,000.
- Appendix 3 - Housing Benefit Overpayment accounts over £10,000.

## **Background Papers:**

There are no background papers available for inspection.

## **1. Introduction/Background**

1.1 The Council collected in income over £268.32m during 2018/19 which included:

- £146.3m in Council Tax;
- £72.1m in Business Rates; and
- £49.2m Sundry Income
- £0.72m Housing Benefit Overpayment Invoices

For 2019/20 the forecast for collectible debits i.e. billed amounts is £291.8m. As at 31 October 2019 this comprises of:

- £162.1m - Council Tax;
- £72.2m - Business Rates; and
- £55m - Sundry Income
- £2.2m – Housing Benefit Overpayment Invoices

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

# Agenda Item 9

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	96.30%	2017	98.70%
2018	96.00%	2018	99.22%
2019	68.99% @ 19/11/19	2019	71.33% @ 19/11/19

- 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 considered for write 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.

## 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.
- 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 or Letter before action sent.
- Cases referred to Enforcement Agents or Debt Collectors.
- Charging Orders and Land Charges are obtained against the property if appropriate. However, the vast majority of businesses in Sefton are in leased properties.
- Statutory Demands issued for Bankruptcy proceedings.
- For cases that are at potential committal and Statutory Demand stage we have sent cases to an Enforcement Agent for further tracing and propensity to pay enquiries. Where the cases come back with a medium or high propensity to pay score then a final attempt at further recovery of the debt will be made by the Enforcement Agent.

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



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 a credit reference agency 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 31<sup>st</sup> March 2019 but will be offset against the amount for bad debts included in the 2019/20 NNDR1(Government Return). There are also specific bad debt provisions for Council Tax, Housing Benefit Overpayments and Sundry Debts.

3.2 Assurance checks - All debtor accounts proposed for write off are scrutinised independently of the Revenues Service by the Council's Assurance Team before being submitted for write off. Debts are scrutinised to ensure that all necessary steps have been taken in pursuit of the debt.

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 for the write off of individual cases, the Revenues Manager will provide a reconciliation statement identifying any discrepancies that have arisen and reasons for discrepancies. Schedules of

# Agenda Item 9

balances actually written off will accompany the statement and be submitted to Financial Management for evidence and monitoring of the bad debt provision.

## 4. Council's 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 Head of Corporate Resources in conjunction with the Chief Legal and Democratic Officer 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 14 individual accounts with balances over £10,000 and totalling £288,483.50 have been identified for write off.

5.2 The accounts are summarised as follows: -

<b>All Debts - Write offs over £10,000</b>			
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>	
Administration	1	£	44,131.58
Ceased Trading No Assets	7	£	113,748.11
Deceased No Assets	2	£	29,186.73
Liquidation	2	£	56,346.06
Unable to Collect - Recovery Exhausted	2	£	45,071.02
<b>Totals</b>	<b>14</b>	<b>£</b>	<b>288,483.50</b>

<b>All Debts - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2002	£	13,444.63
2015	£	2,126.96
2016	£	26,071.43
2017	£	134,609.18
2018	£	112,231.30
<b>Total</b>	<b>£</b>	<b>288,483.50</b>

<b>Business Rates - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Administration	1	£ 44,131.58
Ceased Trading No Assets	7	£ 113,748.11
Liquidation	1	£ 10,105.49
Unable to Collect - Recovery Exhausted	2	£ 45,071.02
<b>Totals</b>	<b>11</b>	<b>£ 213,056.20</b>

<b>Business Rates - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2015	£	2,126.96
2016	£	26,071.43
2017	£	72,626.51
2018	£	112,231.30
<b>Total</b>	<b>£</b>	<b>213,056.20</b>

<b>Sundry Debts - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Liquidation	1	£ 46,240.57
<b>Totals</b>	<b>1</b>	<b>£ 46,240.57</b>

<b>Sundry Debts - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2017	£	46,240.57
<b>Total</b>	<b>£</b>	<b>46,240.57</b>

<b>Housing Benefit Overpayments - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Deceased No Assets	2	£ 29,186.73
<b>Totals</b>	<b>2</b>	<b>£ 29,186.73</b>

<b>Housing Benefit Overpayments - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2002	£	13,444.63
2017	£	15,742.10
<b>Total</b>	<b>£</b>	<b>29,186.73</b>

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