

Public Document Pack

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

Adam Chisnall on 033 022 28314
Email: adam.chisnall@westsussex.gov.uk

www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RQ
Switchboard
Tel no (01243) 777100



10 January 2020

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am on Monday, 20 January 2020 at County Hall, Chichester.**

Tony Kershaw
Director of Law and Assurance

Agenda

1. Declarations of Interest

Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such as an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt please contact Democratic Services before the meeting.

2. Minutes of the last meeting of the Committee (Pages 3 - 10)

The Committee is asked to agree the minutes of the meeting held on 4 November 2019 (cream paper).

3. Urgent Matters

Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances.

4. Annual Governance Statement 2018/19 - Actions Update (Pages 11 - 28)

Report by the Director of Law and Assurance.

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2018-19.

5. Internal Audit Progress Report (Pages 29 - 52)

Report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership.

The Committee is asked to note the Internal Audit Progress report.

6. **Quarterly Review of the Corporate Risk Register** (Pages 53 - 66)

Report by the Director of Finance and Support Services.

The Committee is asked to review the information detailed in the report and the current Corporate Risk Register, and provide comment as necessary.

7. **Treasury Management Compliance Report - Third Quarter 2019/20**
(Pages 67 - 74)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

8. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 23 March 2020 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

4 November 2019 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester.

Present: Dr Dennis (Chairman)

Mr Waight, Mrs Dennis, Mr Jones (arrived at 10.35am) and Mr Jupp

Apologies were received from Mr Bradford

Also in attendance: Mr Hunt (Cabinet Member for Finance and Resources)

Part I

11. Declarations of Interest

11.1 Mrs Dennis declared a personal interest as a member of the Pensions Panel.

11.2 Mr Jupp declared a personal interest as a member of the Pensions Panel.

12. Minutes of the last meeting of the Committee

12.1 Resolved – That the minutes of the meeting of the Committee held on 22 July 2019 be approved as a correct record and that they be signed by the Chairman.

13. External Audit

13.1 The Committee considered the Annual Audit Letter from EY (copy appended to the signed minutes).

13.2 Mrs Thompson (EY) introduced the letter and highlighted the executive summary which outlined the unqualified opinion given to the financial statements, although there was a qualified value for money exception reported on Children's Services following the inspection report. The 2018/19 audit was now closed and planning had begun for the next audit with work looking at risk considerations.

13.3 The Committee made comments including those that follow.

- Queried EY's concerns with Contract and Whole Council design processes. – *Mrs Thompson confirmed that EY were satisfied that adequate processes were in place. It was noted that progress was being made, but slower than expected.*
- Raised concerns on the identified weaknesses in performance monitoring and risk arrangements and proposed that this could be an area that the Performance and Finance Select Committee (PFSC) be asked to review. – *Mrs Thompson explained that during the audit EY would not have looked into the details of Children's Services. Value for money processes looked to ensure that appropriate processes were in place. EY looked at arrangements,*

not outcomes. Mr Hunt (Cabinet Member for Finance and Resources) highlighted that the letter referred to the previous year and confirmed that six months on work was progressing to address identified issues. The Committee agreed that the Chairman should write to the Chairman of the PFSC to raise concerns with regard to Children's Services and the Fire and Rescue Services and the failure with appropriate performance monitoring and risk arrangements. PFSC should be asked to look into the current measures which were not fit for purpose.

- *Noted the issues raised by EY and queried the likelihood of further issues being widespread. – Mrs Thompson explained that their work generally found that issues can either highlight issues elsewhere; or the identified issues are bespoke and localised. There was no indication of other issues other than those identified from EY's point of view.*
- *Sought clarity on the considerations for informed decision-making arrangements being in place. – Mrs Thompson explained that value for money conclusions for arrangements could result in one of three opinions; unqualified, except for or adverse. Whilst some issues had been identified with the processes around informed decision-making, there were sufficient indications that arrangements across the whole council were in place and so EY had chosen to give an except for conclusion. EY had reported on the concerns identified with Children's Services and the Fire and Rescue Service by other inspectorates, the results of which had been reflected in EY's work.*
- *Queried the impact of International Financial Reporting Standard (IFRS) 16 Lease arrangements on the balance sheet. – Mrs Chuter, Financial Reporting Manager, explained that a disclosure note would need to be added to the accounts for 2019/20, but the impact of IFRS 16 would be implemented in full in the 2020/21 accounts. The work would not be part of the asset strategy as one of the main changes arising from IFRS 16 covered smaller scale, operational type leases; such as photocopier leases.*
- *Asked if training would be required for the new conceptual framework. – Mrs Chuter commented that this could be picked up in the annual June training session.*
- *Queried where the County Council's Chief Executive's relocation payment would be reported. – Mrs Thompson explained that EY had looked into the payment with regard to their criteria. The payment was not considered material from their work as it was less than £22m. It was therefore not included within the audit report.*
- *Praised the recent transfer of Pension Administration. – Mr Hunt reported that further progress had been made since the audit and praised the work of Hampshire County Council and County Council officers.*
- *Sought clarity on the issues raised by EY on permanent staffing issues. What level was the issue, was it a national issue and what assumptions had been made that processes would improve when staffing levels improved. – Mrs Muschamp, Head of Finance, explained that recruitment for procurement and contract was a challenge and an area where it was difficult to attract and retain professionals. Progress was being made. Members noted that a task and finish group was looking into a new staff structure for the contract service.*

- Queried the Capital budget and the slippages in the programme. – *Mr Hunt confirmed that this area was considered by the PFSC via a quarterly report. Delays in the programme were linked to issues such as planning and weather. Faithful+Gould had been appointed to help with this and address the concerns. Mrs Thompson confirmed that the level of slippage was typical and that EY checked that appropriate measures were in place to account for this. Mrs Muschamp confirmed that lessons were learned from processes to make improvements going forwards.*

13.4 Resolved – That the Committee note the report and that the Chairman should write to the Chairman of the PFSC to raise concerns with regard to Children’s Services and the Fire and Rescue Services and the failure with appropriate performance monitoring and risk arrangements. PFSC should be asked to look into the current measures which were not fit for purpose.

14. Internal Audit Progress Report - September 2019

14.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

14.2 Mr Harvey, Deputy Head of Southern Internal Audit Partnership, introduced the report and highlighted the table in Appendix A which showed the progress the Council were making in implementing the actions agreed to address issues identified through the respective audit reviews. There were two limited assurance reports relating to IR35 legislation and Residential Care Payments. IR35 concerned tax assessments for individuals working with the Council. Internal Audit had identified that processes were not being consistently followed or documentation checks were being missed. Nine actions had been agreed to address the issues.

14.3 The Committee made comments including those that follow.

- Queried if it was possible to see audit recommendations. – *Mr Harvey confirmed this information could be made available to the Committee on request. Mr Hunt confirmed that he has asked for dates to be added against management actions. Committee members welcomed the addition of dates. Mr Pitman, Head of Southern Internal Audit Partnership, confirmed that slippages would always be brought to the committee members’ attention.*
- Questioned the processes for IR35. When had the legislation changed and were there outstanding tax liabilities. – *Mr Harvey confirmed that the legislation had changed a couple of years ago. Mrs Chuter confirmed that issues with HMRC had been resolved. Mrs Muschamp confirmed that exercises were taking place to analyse all transactions to ensure compliance. Finance were going back to directors and budget holders to analyse the situation. The Committee requested to see the recommendations and progress on them.*
- Queried the progress on the audit plan. – *Mr Harvey confirmed that the progress to the end of September was 57% either work in progress or complete and that progress was on track.*

- Sought clarity on the narrative for the health and safety actions. – *Mr Pitman explained that the narrative came from the service and resolved to provide an update for the committee members.*
- Queried the progress of the IT Capita Contract workshop. – *Mrs Muschamp confirmed that the workshop had taken place and that work was on-going.*
- Sought clarity over the concerns with Mosaic User Access Control. – *Mr Pitman explained that weaknesses and risks had been recognized with processes, but confirmed that no breaches had been identified. Mr Pitman resolved to investigate progress on this.*
- Asked for an explanation over the Home to School Transport concerns. – *Mr Harvey explained the detail on this issue would have been reported previously, but confirmed that the issues related to the recertification of DBS reports. Mr Harvey understood that management confirmation had been received that correct processes were in place for the new academic year following the audit review..*
- Raised concerns over the identified payments for Residential Care Payments. – *Mrs Chuter gave reassurance that appropriate controls were in place going forwards and that two thirds of the payments had been recovered.*
- Queried the plans for Whole Council Design. – *Mr Harvey confirmed that the support element of the programme was being developed and that the governance arrangements were being considered by the Executive Leadership Team. Mr Hunt confirmed that transformation was a useful way to maintain efficiencies.*
- Requested information on the £17m for Childrens' Services. – *Mrs Muschamp explained that the challenge was on value for money consideration. Officers were aware of the challenges in this area and explained that governance arrangements would be looking into this. Mr Hunt confirmed that the Children and Young Peoples Services Select Committee would be looking at this.*
- Queried progress on Guardianship issues. – *Mr Harvey confirmed that fourteen actions had been completed and eight were outstanding. An update on this would be provided in a future report.*

14.4 Mr Pitman introduced the Fraud Plan for 2019-20.

14.5 Members queried the plans for the training. – *Mr Pitman confirmed that plans were in place for training for Hampshire and West Sussex by the end of the financial year.*

14.6 Resolved – That the Committee notes the progress report for the period to 30 September 2019.

15. Annual Governance Statement 2018/19 - Actions Update

15.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).

15.2 Mr Gauntlett, Senior Advisor, introduced the report and explained to the Committee that an update report would be coming to the next meeting in January. Action owners could be invited to the meeting if required.

15.3 The Committee made comments including those that follow.

- Sought clarity on the processes for the scheme of delegation action. – *Mr Gauntlett confirmed that the scheme of delegation within the constitution required a review following recent structure and cabinet changes and that this would be carried out by the Director of Law and Assurance.*
- Queried the timescales for the review of the West Sussex Plan targets and measures, and the anti-fraud review. – *Mr Gauntlett confirmed that updates on these were due in January 2020.*
- Sought clarity on the review of the County Council's health and safety governance and assurance. – *Mr Gauntlett resolved to seek clarification on the action. Members noted that the action was a high priority within the Internal Audit report.*
- Requested an update on the action for Risk Register reference CR60 relating to the Fire and Rescue Service. – *Mr Gauntlett confirmed that an update on the Fire and Rescue Service would be going to the Environment, Communities and Fire Select Committee in January and resolved to ask the Chief Fire Officer to provide a clear update on future reports. Mr Harvey confirmed that considerable progress had been made on the short term actions.*
- Sought clarity on the process for the review of the whistleblowing policy and Member involvement. – *Mr Gauntlett confirmed that this was within the remit of the Standards Committee. Members commented on the recent reports of bullying and queried the effectiveness of the current policy. Mr Gauntlett confirmed that the Standards Committee looked at an anonymous summary of issues and saw the outcomes of cases. Mr Gauntlett proposed contacting the Director of Law and Assurance to discuss the effectiveness of the strategy. The Committee raised concerns on the process for staff to raise grievances with managers and considered asking the Governance Committee to consider a whole review of the scheme of delegation. The Committee resolved to write to the County Council Chairman on the matters discussed.*
- Commented the contents of Forward Plan entries and requested that entries should include fuller costs and clearer impacts of proposed decisions. – *Mr Gauntlett explained that the Forward Plan complied with the 2012 regulations regarding key decisions. The criteria for cost of key decisions was £500,000. Entries could be considered on a case by case basis on what information was available at the time of publication, with an aim to be as transparent as possible. Mr Gauntlett resolved to raise the issue with colleagues in the Democratic Services Unit.*

15.4 Resolved – That the report be noted and the Committee agrees to write to the Chairman of the County Council to raise issues on the scheme of delegation to the Governance Committee; and issues regarding the whistleblowing policy to the Standards Committee.

16. Quarterly Review of the Corporate Risk Register

16.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

16.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained that a new risk had been added to consider the event of a no deal Brexit. Mr Pake was meeting with new directors to explain risk processes; and also meeting with the Chief Fire Officer and the Childrens Leadership Team to discuss the risks for the Corporate Improvement Plan.

16.3 The Committee made comments including those that follow.

- Queried if improvements were expected for the cyber security risk. – *Mr Pake confirmed that the risk was aimed to be maintained at target level.*
- Sought clarity on the risk concerning data protection legislation. – *Mr Pake explained that this risk had evolved from the introduction of GDPR regulations.*
- Requested an update on the insufficient health & safety governance risk. – *Mr Pake gave reassurance that he regularly met with the appropriate team on this risk.*
- Noted the level of complete actions for the failure of social care provision risk but that a high risk level remained. Members queried if the target was unrealistic or if more actions were required. – *Mr Pake felt that more actions were required and confirmed that he was due to meet the service to scrutinise actions.*
- Felt that reports were required for the transformation benefits risk.
- Highlighted the need to understand the faults concerned with the death or serious injury of a child risk.
- Requested detail on the loss of operational control of Children's Services risk. – *Mr Pake confirmed there had been delays with this risk and resolved to investigate with the team.*
- Asked for an update on the Highways Procurement Litigation risk. – *Mr Pake confirmed that he was scheduled to meet with the Director of Law and Assurance soon on this risk.*
- Queried if any risks relating to Children's Services required changing. – *Mr Pake confirmed that the Director of Children's Services noted that no risks were at 25, but was working with the new leadership team to identify any new risks.*
- Questioned the level of confidence in delivering a balanced budget. – *Mr Hunt confirmed that this would be a challenge but confirmed that there was reasonable confidence based on the current understanding of the settlement. This was classed as a high risk given the current unknowns.*

16.4 Resolved – That the report be noted.

17. Treasury Management Compliance Report - Second Quarter 2019/20

17.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

17.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no breaches in policy for

quarter. The borrowing level as at the end of June was £485m and investments totalled £305m.

17.3 The Committee queried what other authorities did with the money they borrowed from the County Council. – *Mrs Chuter explained that it could be used for a variety of reasons but was likely to be used for capital investment or used for cashflow issues. Assurance was given that due diligence took place before money was lent.*

17.4 The Committee queried the £100m increase in investments. – *Mrs Chuter explained that the increase reflected the £100m borrowing taken out in quarter one, offset by the upfront payment of pension contributions in April.*

17.5 Resolved – That the report be noted.

18. Date of Next Meeting

18.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 20 January 2020 at County Hall, Chichester.

The meeting ended at 12.47 pm

Chairman

This page is intentionally left blank

Regulation, Audit and Accounts Committee

20 January 2020

Annual Governance Statement 2018/19 – Actions Update

Report by Director of Law and Assurance

Executive Summary

This report presents an update against actions put in place to address issues raised in the Annual Governance Statement 2018-19. It also describes the arrangements for the next Statement aligned to the current year's accounts.

Recommendation

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2018-19.

The Committee is asked to endorse proposals for the consideration and approval of the Annual Governance Statement for 2019-20

1. Introduction

1.1 The Annual Governance Statement which, pursuant to the Accounts and Audit (England) Regulations 2015, was approved by the Regulation, Audit & Accounts Committee in July 2019, raised a number of areas of focus for the Council over the forthcoming year. This report presents progress against actions in place to address issues raised and sets out the timetable for the next Annual Governance Statement.

2. Background

2.1 The County Council is required pursuant to the Accounts and Audit (England) Regulations 2015 to produce a broad based Annual Governance Statement.

2.2 The Annual Governance Statement is an important and integral part of the County Council's Corporate Governance regime, providing a review of the effectiveness of the County Council's internal control systems and gives assurances about how effectively they operate.

2.3 The Annual Governance Statement 2018-19 highlighted a number of governance issues (Appendix A) for action.

2.4 Officers have been proactive in addressing the issues raised in the Annual Governance Statement 2018-19. Actions in place to address the issues highlighted and subsequent progress are detailed in the appendix.

2.5 This year's Statement was affected by the publication late in the relevant period of the Ofsted report into Children's Services and the HMICFRS inspection of the Council's Fire and Rescue service. These were followed by an external examination of the Council's capability and capacity to achieve effective service improvement which raised significant questions related to the Council's leadership, culture and governance.

- 2.6 This external examination led to the delivery and subsequent publication of a report by the Children's Commissioner which in turn led to significant proposals for change in response to the recommendations of the report. Many of these directly affect critical elements of the Annual Governance Statement action plan. Of most significance is the set of proposals relating to leadership and governance which have been separately communicated to the Ministry of Housing Communities and Local Government and which have informed some of the actions reported in the attached action plan. The Commissioner's report was debated by the Council at its meeting on 17th December 2019.

3. Plans for 2019/20 Governance Statement

- 3.1 Work on the annual governance statement for 2019/20 is already underway. It will address in more detail the requirements arising from the Children's Commissioner's report published in December 2019 in so far as they affect the areas of assurance the Statement needs to address.
- 3.2 The Statement for 2019/20 must be approved alongside the publication of the accounts by the end of July 2020 and a draft Statement must be available prior to the start of the period of inspection of the Council's accounts (i.e. no later than 1st June). The final report will therefore be brought to the Committee for approval at its meeting in July 2020 and the draft will be presented to the March meeting.

4. Resource Implications and Value for Money

- 4.1 None arising directly from this report.

5. Equality Duty

- 5.1 An Equality Impact Report is not required for this decision as report dealing with internal or procedural matters only.

6. Risk Management Implications

- 6.1 There are risks associated with services not addressing key recommendations arising from the Annual Governance Statement. As key initiatives within the AGS feature of the Strategic Risk Register each are monitored and assessed through the council's risk management processes.

Tony Kershaw

Director of Law and Assurance

Contact: Charles Gauntlett, Senior Advisor, 033 022 22524

Appendices

Appendix A- Status of 2018-19 Annual Governance Statement - Action Plan

Background Papers

None

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Principle A – Integrity and compliance				
A refresh of the Whistleblowing policy		Director of Law and Assurance	To review, seek Standards Committee approval and ensure greater corporate awareness	New policy drafted after internal consultation. External advisers engaged to develop promotion and training. Will present update to next meeting of Standards Committee
To review and act on effectiveness of Data Protection processes	CR7	Director of Law and Assurance	To analyse data on policy and systems effectiveness and address risks or areas of weakness	Staff handbook to guide and instruct settled for promotion to all staff. New on-line learning tool rolled out. Risks assessed continually against breach data.
Review of effectiveness of system for recording officer interests	CR7	Director of Law and Assurance	To take action to ensure compliance in recording and publication	All Directors and Executive Directors advised of expectations and deadline for return of data with a view to publication of records.
To plan review of anti-fraud corruption and bribery policies	CR7	Director of Law and Assurance	Work with internal audit to ensure up to date policies	Contact made with Internal Audit for timetable for action as part of 2020 audit plan.
To clarify areas of overlap or conflict within the scheme of delegation	LA7	Director of Law and Assurance	To ensure all Directors have up to date arrangements in place and to ensure corporate clarity of systems and expectations	Subject to on-going review in light of further senior leadership changes and appointment of new Chief Executive.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Principle B – Openness and Stakeholders				
To settle arrangements for member engagement in budget planning to align with resource and service priorities		Director of Law and Assurance and Director of Finance and Support Services	Ensure timely plans and arrangements for member engagement for budget plans for 2020 budget decisions.	Completed – scrutiny and member engagement for revenue and capital budget planning in place and aligned to Council decisions February 2020.
To promote greater openness in executive decisions and Forward Plan	CR61	Director of Law and Assurance	Refresh of Forward Plan and corporate awareness	Completed - Forward Plan format reviewed, executive decision-making governance provisions changed and cabinet meetings governance approved by Council December 2019.
Review of County Local Committees to consider their effectiveness and purpose, format and engagement and review of grant funding arrangements		Director of Law and Assurance	Oversee member review and report to Governance Committee.	Completed. Output from review approved by Council December 2019.
To complete roll out of Modern.gov systems for democratic processes.		Director of Law and Assurance	Align with IT systems and ensure full effectiveness of system.	Action to escalate additional capabilities of system once new IT systems rolled out fully.
Digitisation of customer and resident engagement		Director of Communities	Implement plans from Transformation project	Right Service Right Place is our current Customer Programme of change and a number of customer journeys were

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				<p>identified that would make it easier for our customer's if they were digitalised. To support this change we procured a new e-form platform 'Firmstep' and we have now built and delivered 23 E-forms. Customer Experience have also identified over 230 forms that need to be created using the new platform and work with the service areas have begun and it is also anticipate that this number will continue to rise.</p> <p>In 2018 we launched our new payments system giving the ability to pay for services via the internet and over the phone with our Customer Service Centre advisors. The solution also introduced chip and pin capability for our Registration service. The solution is now being expanded to offer contactless chip and pin, paperless direct debit, recurring card payments and an automated telephone payment solution all of which will support the move to giving our customers the choice of which digital channel they use in order to pay for services. This will be going live during the first half of 2020 as each element will have its own timescale.</p>

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Development of Joint Health and Wellbeing Strategy for promotion and dissemination through the Council.		Director of Public Health	Implement commitments in revised H&W Strategy	<p>Following the launch of the West Sussex Joint Health and Wellbeing Strategy 2019-24 in April 2019, Health and Wellbeing Champions have been developing and progressing implementation of the prioritised goals for Year 1. Full progress will be reported to the West Sussex Health and Wellbeing Board in April 2020. To date, the following progress has been achieved:</p> <p>System Leaders</p> <ul style="list-style-type: none"> • Collaborative Working Agreement between the HWB, Safeguarding Adults' Board, Safeguarding Children's Partnership and Safer West Sussex Partnership – launched on 24th October 2019 • Strengthening place-based approach; holding public meetings in District and Borough councils • "Making Every Contact Count" (MECC) Workforce Programme <p>Starting Well</p> <ul style="list-style-type: none"> • Approach to mental and emotional wellbeing, including self-harm, in

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				<p>educational settings</p> <ul style="list-style-type: none"> • Championing Children First Approach • Developing a whole system approach to Children’s Healthy Weight <p>Living and Working Well</p> <ul style="list-style-type: none"> • Extending West Sussex Wellbeing Programme Partnership with District and Borough councils • Cross Council approach to Healthy Public Planning Policy • Development of Workplace Wellbeing Framework • Implementing West Sussex Tobacco Control Strategy <p>Ageing Well</p> <ul style="list-style-type: none"> • Developing a West Sussex approach to loneliness and social isolation • Developing a co-production approach with the voluntary sector • Falls Prevention Programme • Ageing Well Campaign launched 1st October 2019

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Promote greater partnership working (Children’s and Adults Services)		Acting Executive Director of Children, Young People and Learning	<p>Corporate Parenting Panel and Improvement Board commitments and as set by the Improvement Plan</p> <p>NB These are areas within the scope of the responsibilities of the Commissioner appointed by the Dept. for Education (DfE) following the November 2019 Commissioner’s report.</p>	<ul style="list-style-type: none"> ▪ Corporate Parenting Panel – revised Constitution agreed at County Council, December 2019, further strengthening role and broadening membership; ▪ Strengthening linkages with Health & Wellbeing Board and Safeguarding Children Partnership (LSCP); ▪ Improvement Board overseeing Practice Improvement Plan and mobilising partnership being revised following appointment of Children’s Commissioner who is to chair; ▪ Domestic Abuse Partnership Board and Multi-Agency Risk Assessment Conference steering group set up; ▪ Improvement Plan includes provisions to work more closely with partners on topics such as: Neglect, Private Fostering, Corporate Parenting issues, Health Assessments, Care Leavers’ needs, especially accommodation; ▪ All of the ten recommendations contained in the published Commissioner’s report regarding corporate and service governance have either been implemented in full, or plans

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				<p>are in place to take them forward.</p> <ul style="list-style-type: none"> ▪ The County Council has responded with transparency to the Commissioner's report, with a Cabinet discussion in public on 14 January 2020; the new Leader and Cabinet Member are strongly committed to the service improvement agenda, and an open and inclusive leadership style.
Consultation Q&A system effectiveness review		Head of Communications and Engagement	Review to be undertaken in 2019	Completed - There was a complete review of the Research Governance and Consultation Quality Assurance (QA) system during 2019. QA Process review began in December 2018 (in collaboration with QA Steering Group Stakeholders) via a QA process user survey to help identify and direct actions/improvements during 2019. Key findings were very positive overall and several actions were agreed. We will continue to monitor the QA process through user surveys/ feedback to help inform continuous improvement of this service.
Compliance for consistent and appropriate key decision-making.	CR7	Director of Law and Assurance	Refresh of systems and dissemination to Corporate Leadership Team	Changes to governance approved by Council (Principle A). Will monitor for compliance over new few months.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
To refresh the use and application of the Equality Policy		Director of Law and Assurance	Review guidance and systems to ensure compliance and consistency	Further guidance to be provided to Directors. Action underway to align with actions from Internal Audit report on Equality Impact assessment effectiveness
Principle C – Sustainability				
Review of West Sussex Plan targets and measures 2017-22		Chief Executive		Action subject to review in light of changes to corporate priorities – and paused pending appointment of Chief Executive
To complete the revision of the Council’s Social Value Policy and its use.		Director of Finance and Support Services	Prepare and implement revised policy	Completed - The Procurement & Contract Management team have developed a more enhanced approach to Social Value, including a new Framework that deepens consideration and application of Social Value throughout the Procurement lifecycle. Development of our new Framework is aligned to the National TOMS Framework, including its measures and objectives and we have created a detailed set of KPIs that can be used across the three themes of Social Value - Social, Economic and Environmental. Our Procurement process includes 6 stages of activity throughout the Procurement lifecycle and Social Value is incorporated at each stage.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
To refresh the Sustainability Policy		Director of Environment and Public Protection	Prepare and implement revised policy	<p>The WSCC Sustainability Strategy and accompanying Action Plan finishes in 2019. We are researching the scope for a replacement plan, which is likely to have a focus on the natural environment and climate change. West Sussex County Council has a <u>clear commitment</u> to sustainability and reducing our carbon footprint. We've already committed to try to be carbon neutral by 2030, we have existing commitments in our West Sussex Plan, such as air quality, electric vehicles and adapting to climate change. With a stronger understanding of the social, health and economic benefits of a high quality natural and healthy environment, our replacement plan will help us to continue this work.</p> <p>A Forward Plan entry is expected in February 2020, with scrutiny in March 2020 and Cabinet approval around April 2020.</p>
Greater focus on reviews of directorate business plans		All Directors		Action subject to changes to corporate priorities – and paused so as to be led by newly appointed Chief Executive with the Corporate Leadership Team (Directors)

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Review the resources to ensure effective of scrutiny by Select Committees		Director of Law and Assurance	Oversee member led review of scrutiny and ensure effectiveness in relation to specific service improvement plans.	Completed. Output from Member TFG and external health check and additional changes endorsed by Council December 2019. Need to implement changes.
Principle D – Optimising Interventions				
To review governance of executive officer boards		Director of Law and Assurance	Carry out and implement review and ensure transparency	Will review further following appointment of Chief Executive. Focus to be on service improvement governance.
To ensure effectiveness of capital programme governance		Executive Director Place Services	Carry out and implement review and ensure transparency	In-house <u>P3M3</u> review of Programme and Project maturity undertaken. Key findings related to weakness in senior-level ownership of the process and a lack of consistency in implementation. Action Plan to introduce Portfolio Management understanding and practices, enhanced Programme and Project maturity and more efficient and transparent governance drafted for consideration of new Director Assets and Property and Capital and Assets Board. The action plan is now being taken forward.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
Verification of data input into the performance Dashboard		Head of Performance	Carry out and implement review and ensure transparency	To be considered as part of a review of corporate performance measures by the new Leader and Chief Executive in 2020.
To ensure governance, resources and systems are available to support the improvement plan for Children's Services as required.	CR61	Acting Executive Director of Children, Young People and Learning	<p>Oversee review as part of improvement plan</p> <p>NB These are areas within the scope of the responsibilities of the Commissioner appointed by the Dept. for Education (DfE) following the Commissioner's report of November 2019.</p>	<ul style="list-style-type: none"> • Setting up an Improvement Board, now chaired by the Commissioner for Children's Services to oversee the Improvement Plan, with an Improvement Partnership Board alongside; • the appointment of senior improvement leads and a team to support improvement programme; • Improving rigour of scrutiny by Scrutiny Committee including regularly receiving direct testimony from children, front-line staff and partners; • Strengthening the role and membership of the Corporate Parenting Panel; • Strengthening corporate parenting role of all WSCC members; • Children's voice to be integrated into all activities; • Improvement Plan agreed by Ofsted; • New practice standards being developed for partnership; • Creating an Investment Plan to resource the activities above appropriately;

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				<ul style="list-style-type: none"> • Work in progress on creating Children First Strategic Approach to give a new focus, with partners, on the entirety of work with children, young people and families (to be adopted March 2020); • Director of Children’s Services now confirmed as Executive Director of Children, Young People and Learning, with responsibility for both social care and education outcomes; • Appointment of Hampshire County Council as Partner in Practice provides additional assurance that service improvements can be sustained during 2020; • Findings of first Ofsted Monitoring Visit (December 2019) provide encouragement that service improvement is taking root – through e.g. more stable staffing and better timeliness and quality of practice; service leadership is determined to sustain this trajectory, and has a clear understanding of where further improvement is needed; • Comprehensive staff training and engagement programmes are being

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				rolled out, to address quality, performance and cultural issues.
To ensure governance, resources and systems are available to support the improvement plan for Fire and Rescue Services as required.	CR60	Chief Fire Officer	Oversee review as part of improvement plan	HMICFRS Resource plan now in implementation phase and HMIC Improvement Board continuing monthly now chaired by the CFO. FRS Programme Office now responsible for the programmatic approach to support the delivery outcomes
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it				
Training and development for senior leaders		Director of HR and OC	Carry out and implement review	As part of the corporate improvement plan we will be commissioning bespoke development programme for leaders in WSCC, having scoped work with LGA by Feb 2020. In addition, there will be top team development for ELT.
To ensure recruitment and retention processes support capacity challenges in social care staffing	CR11	Acting Executive Director of Children, Young People and Learning	Carry out and implement review	A financial support for recruitment and retention scheme for 'hard to fill' Children's Social Workers was launched in May 2019. The scheme links to the Council's revised Policy 'Financial Support for Recruitment and Retention- Policy and Provisions'; and has been successful in helping to significantly reduce the 'vacancy gap' i.e. the number of posts that not filled by a

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
				<p>permanent employee who is at work (as opposed to away due to career break or other sustained absence) or being covered by an agency worker) to less than 2% from 18% in February 2018 – it is now the lowest it has ever been. By September 2019 93% of eligible staff had signed up for scheme. Employment terms are now competitive with any neighbouring authority, and a new recruitment drive for permanent staff has been launched.</p> <p>The development of an accurate establishment list and record of employees and/or agency workers has been a critical part of this work and this level of detail is now being sought and planned within adults’ services. Adults services has an approved resource plan to tackle its immediate challenges and a restructure of the service is planned. At this stage there are no plans for a recruitment and retention scheme within Adults Services’, though the need will be kept under review.</p>

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update January 2020
To review capacity in relation to risk management tasks in Fire and Rescue		Chief Fire Officer	Carry out and implement review	Post review determines a dedicated SLT member remains as responsible officer for the oversight of FRS Risk management tasks. To be reviewed again upon completion of FC20 project and HMI improvements
Principle F – Risk and Performance Management				
To complete a review of the Council’s Health and Safety governance and assurance	CR50	Director of HR&OC	Carry out and implement review	As part of the corporate improvement plan we will be commissioning bespoke development programme for leaders in WSCC, having scoped work with LGA by Feb 2020. In addition, there will be top team development for ELT.
To ensure Resilience and Emergency arrangements are sound		Chief Fire Officer	Carry out and implement review	RET remain a direct line report to a Principal Officer, providing direct oversight and performance leadership. Current arrangements to be reviewed to ensure continued arrangements are sound during the FRS Structure review.

This page is intentionally left blank

Internal Audit Progress Report

December 2019

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of ‘Live’ audit reviews	6-7
5.	Executive summaries ‘Limited’ and ‘No’ assurance opinions	8-11
6.	Planning and resourcing	12
7.	Rolling work programme	12-17
8.	Adjustments to the Plan	18
	Annexe 1 – Overdue ‘High Priority’ Management Actions (and summary of Overdue ‘Low & Medium Priority’ Management Actions)	19-21
	Annexe 2 – Prior WSCC assurance opinions	22

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the County Council that these arrangements are in place and operating effectively.

The County Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

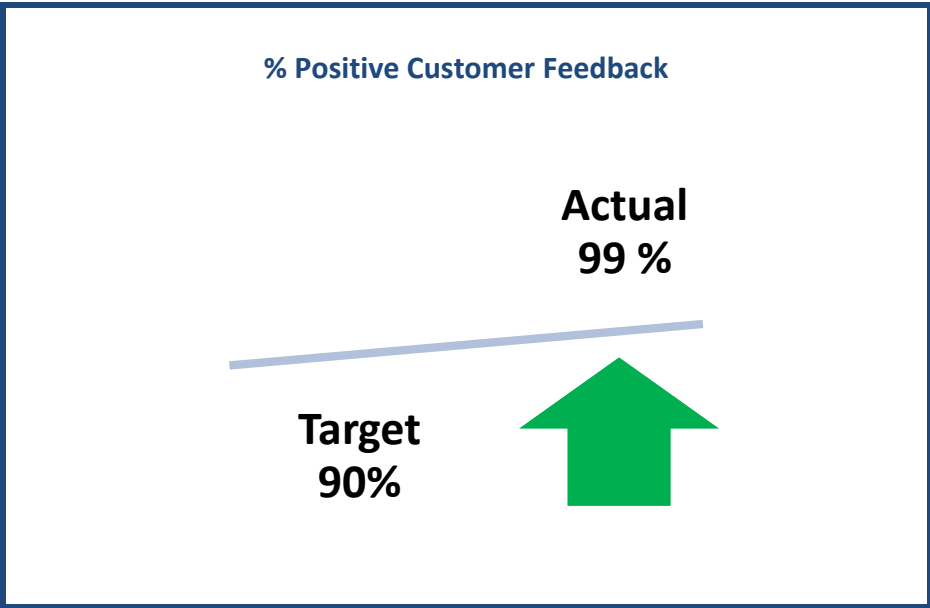
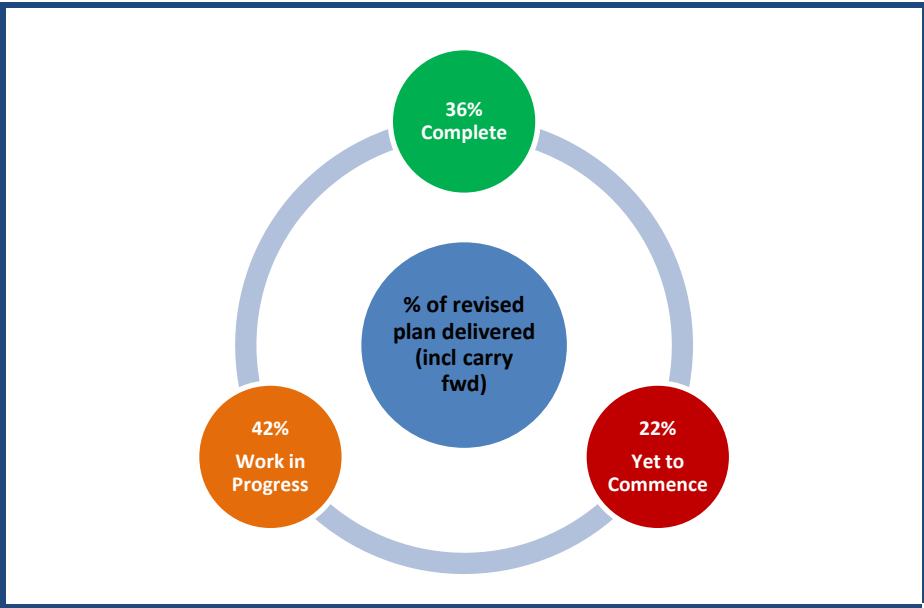
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

**Assurance opinions are those used by the SIAP. Some reports listed within this progress report (pre 2018-19 audit plan) refer to categorisations used prior to SIAP engagement, reference is provided at Annexe 2*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p> <p>In accordance with PSIAS, a further self assessment was completed in April 2019 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.</p>

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Actions Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Fleet Management	Jun 2018	CFO	Satisfactory	9	0		6	1	2	
Governance Compliance	Feb 2019	Corp	Limited	3	0		1		2	
Section 106 / CIL / Commuted sums	Mar 2019	DH&T	Adequate	8	0		7	1		
Home to School Transport	Mar 2019	DH&T	Limited	4	0	1	3			
Concessionary Fares	Apr 2019	DH&T	Adequate	6	0	5			1	
Pupil Premium	May 2019	DE&S	Adequate	6	0	1	5			
Special Guardianship Orders	May 2019	DC&FS	Limited	24	0		19		3	2
E-Income	June 2019	F&SS	Adequate	1	0	1				
Payroll and Employment Administration	July 2019	HR&OC	Adequate	10	0		8	2		
MSS	July 2019	Corp	Adequate	1	0			1		
IR35	Aug 2019	HR&OC	Limited	9	0	3	6			
Software Licencing	Aug 2019	F&SS	Adequate	2	0			1	1	
Capacity Planning and Monitoring	Aug 2019	F&SS	Adequate	3	0	1	2			
Access Control	Aug 2019	F&SS	Adequate	5	0	1	1		3	
Retained Firefighters	Sept 2019	CFO	Adequate	12	0	7	2	1	1	1
Cyber Security	Sept 2019	F&SS	Adequate	3	0		2		1	
Residential Care Payments	Sept 2019	EDAH	Limited	10	0	1	9			
IT Asset Management	Oct 2019	F&SS	Limited	4	0	3	1			
Firewalls	Nov 2019	F&SS	Limited	7	0	6	1			
Proactive fraud - Pre-payment cards for DPs	Nov 2019	F&SS	Adequate	4	0	4	0			
Intentionally Homeless – Financial Control	Dec 2019	DC&FS	Limited	11	0	7	4			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Actions Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Budgetary Control	Dec 2019	F&SS	Adequate	6	0	6	0			
Disaster Recovery Planning	Dec 2019	F&SS	Limited	6	0	6	0			
Application Review - Mosaic	Dec 2019	F&SS	Adequate	2	0	1	1			
Total								7	14	3

Audit Sponsor

Chief Executive	
CFO	Chief Fire Officer
HR&OC	Director of Human Resource and Organisational Change

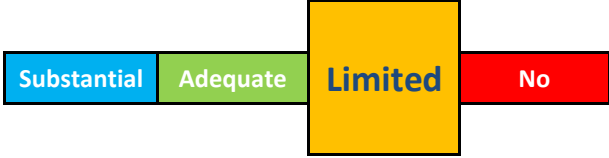
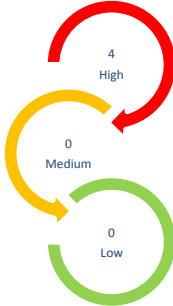
Executive Director Place Services	
DH&T	Director of Highways and Transport
DE&PP	Director of Environment and Public Protection
DC	Director of Communities

Executive Director, Adults and Health and statutory DASS

Executive Director of Children, Young People and Learning	
DC&FS	Director of Children and Family Services
DE&S	Director of Education and Skills

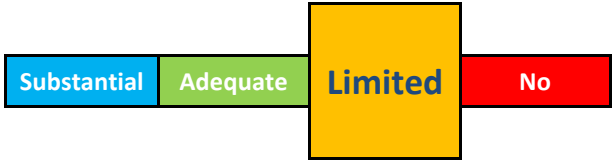
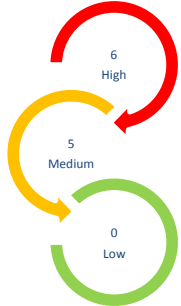
Executive Director Resource Services	
DL&A	Director of Law and Assurance
F&SS	Director of Finance and Support Services
P&A	Director of Property and Assets

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

IT Asset Management		
<p>Directorate Sponsor:</p> <p>Director of Finance and Support Services</p> <p>Final Report Issued:</p> <p>November 2019</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Asset Management Data Base (AMDB) has not been effectively maintained and assurance cannot be provided that it accurately reflects the Council’s estate of hardware and software. Testing of devices issued in 2018/19 found discrepancies between the AMDB records and Active Directory data highlighting weaknesses with the accuracy of recording, to whom devices have been issued, and reallocations between end users.</p> <p>At the time of the review, there had been no reconciliation of devices recorded on the AMDB to actual assets in use or connected to the network via the Active Directory.</p> <p>There is no centrally managed solution to manage mobile phones. Users are required to install an application on to their device which enables the Council to track it, however, there is a risk that users who leave the Council and do not hand back their device can uninstall the application preventing the Council from tracking the device. The leavers process does not consistently ensure that all devices are returned, and reallocations are recorded.</p>		
<p>Management Response / Update:</p> <p>A new Service Delivery Manager has been appointed and one of their key objectives is to address issues with asset management and the AMDB system. As part of the Windows 10 deployment, records are being updated to reflect the actual deployment of new and re-furbished equipment, which should be significantly complete by January 2020. The cleansed data, based upon the deployment, will be migrated to the new AMDB solution once available. Capita will review the remote mobile management solution configuration, by the end of December 2019, so it cannot be uninstalled by end users which will ensure a mobile phone can be made non-functioning if the device is lost or is not returned when an employee leaves.</p>		

Firewalls		
<p>Directorate Sponsor:</p> <p>Director of Finance and Support Services</p> <p>Final Report Issued:</p> <p>November 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>There is no dedicated firewall policy to define the standards for provisioning, configuring and managing firewalls or process to periodically review and/or renew the firewall architecture. At the time of the review, firewalls were not subject to a maintenance plan to ensure updates were applied promptly and there was no up to date inventory of firewalls.</p> <p>Due to a lack of audit trail, it was not possible to confirm whether current firewall rules had followed the established process that ensures all rules are justified and approved. There is no process in place to ensure any associated firewall rules are removed when servers are decommissioned.</p> <p>The Capita IT Security Standard states firewall rulesets are reviewed annually however at the time of the audit, the task was six months overdue.</p>		
<p>Management Response / Update:</p> <p>A firewall refresh programme has been completed and an up to date inventory has been created following the refresh. By the end of January 2020, a firewall review group will be established to review the firewall change process, decommissioning process, lack of audit trails and complete the annual review of firewall rules. Maintenance plans for firewalls will be documented by the end of December 2019 and a firewall standards document will be completed by the end of March 2020. All actions arising from the review are in progress and are on track for completion by the respective due dates.</p>		

Disaster Recovery Planning		
<p>Directorate Sponsor:</p> <p>Director of Finance and Support Services</p> <p>Final Report Issued:</p> <p>December 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>Disaster recovery testing is a contractual obligation for Capita. The last comprehensive disaster recovery test was undertaken during 2018. The test highlighted a series of lessons learnt; however, these were not captured in a formal action plan to ensure they were assigned ownership, or fully implemented in a timely manner. At the time of the audit review no annual disaster recovery test date had been agreed for 19/20. Historically, due to business commitment the most suitable months for testing have been identified as July or November, however, these have now elapsed.</p> <p>Business critical applications are listed in the DR plan and reference is made to the critical business applications file which shows restoration priority, number of users, impact and other key information, however, the file was unavailable upon request. The Disaster Recovery plan does not set out or reference detailed individual procedures and instructions required to recover WSCC applications. The Data Centre at County Hall North houses the 'battle box' and a review found that its contents were not in accordance with the requirements defined in the disaster recovery plan and also contained documentation that was out of date and incomplete.</p> <p>The disaster recovery plan includes loss of premises and a requirement on Capita to provide 40 laptops pre-built to WSCC standard specification within four working hours split between sites, however, Capita confirmed that due to constraints with hardware the laptops were not in place although kit was being introduced and would be in place as at the end of October 2019.</p>		
<p>Management Response / Update:</p> <p>A set of DR tests instead of a one single exercise will be built into the test plan in conjunction with Capita for 2020. The plan will be completed by March 20 and the next contracted DR test will be completed before October 20. An action plan to address the previous lessons learnt will be developed by the end of December 2019. The sequence of restoration for critical applications will be made available to all key staff and referenced to the disaster recovery plan. An annual review of all Priority 1 applications will be performed to ensure it is complete, up to date and reflects service requirements. Individual procedures for applications will be made available in a mutually acceptable place electronically and stored in the battle box, this will be in place by the end of January 2020. A dedicated resource will be assigned to maintain and capture all documentation required for the disaster recovery battle box.</p>		

<p>Intentionally Homeless – Financial Control</p>		
<p>Directorate Sponsor:</p> <p>Director of Children and Family Services</p> <p>Final Report Issued:</p> <p>December 2019</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>To effectively manage outturn forecasting and budget monitoring a spreadsheet had been developed to record existing (and predict future) commitments, however, this had not been maintained. The service does not provide clear instructions to the Accommodation Team regarding the Authority’s financial commitment for families requiring section 17 assistance.</p> <p>The information required to financially assess families is not provided on a consistent and prompt basis to the Accommodation Team to enable a family to move into private rented accommodation. Arrears are not efficiently pursued due to the manual processes / systems in place. Testing of client accounts found discrepancies between the entries on the bank account and those manually recorded on the rent account spreadsheet.</p> <p>Procedures covering financial aspects of the Intentionally Homeless process are in need of updating and there is no practice guidance to follow regarding working with Intentionally Homeless people, explaining the provision, criteria and types of S17 financial assistance available.</p>		
<p>Management Response / Update:</p> <p>A new forecasting and budget monitoring document is in place and provided to the Principal Finance officer on a monthly basis. Development of Children’s Social Care Practice Guidance on Financial Assistance under S.17 is to be agreed and signed off by end of January 2020. A model of assessment, housing planning and financial decision making for IH families requiring S.17 is to be implemented and reviewed in February 2020. Practice standards for Children’s Social Care and the Accommodation Team for IH will be created by the end of the financial year.</p> <p>Appropriate training has been delivered to the Children’s workforce and to provide consistency, the Accommodation Officer post has been filled from November 2019. The number of spreadsheets in use meant the system is no longer fit for purpose and investigation of alternative recording systems did not provide the required functionality. A solution has been developed that potentially meets requirements and will be reviewed by the end of January 2020. The Accommodation Team will agree a model to review and escalate cases of non-repayment of loans associated with S.17 by 31st March 20. All discrepancies on client accounts identified in the audit have been corrected and the Accommodation Team Guidance will be updated by year end.</p>		

6. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
IR35	HR&OC	✓	✓	✓	May 19	Aug 19	Limited	
MSS (self Service Compliance)	Corporate	✓	✓	✓	Jun 19	Jul 19	Adequate	
Budgetary Control	F&SS	✓	✓	✓	May 19	Dec 19	Adequate	
Pension Fund Governance & Strategy	F&SS	✓	✓	✓	Jul 19	Aug 19	Substantial	
IT Asset management	F&SS	✓	✓	✓	Jul 19	Oct 19	Limited	
Software licencing	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
Capacity planning and monitoring	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
Cyber security	F&SS	✓	✓	✓	June 19	Sept 19	Adequate	
Application review	F&SS	✓	✓	✓	Sept 19	Dec 19	Adequate	

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Access control	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
External Placements	DAS DC&FS	✓	✓	✓	June 19			
School Thematic – 6 th Form Funding Assurance and Bursary Fund	DE&S	✓	✓	✓	June 19	Aug 19	Adequate	
Retained Firefighters	CFO	✓	✓	✓	May 19	Sept 19	Adequate	
Residential Care Payments	DAS	✓	✓	✓	May 19	Sept 19	Limited	
Whole Council Design - Governance	Corporate	✓	✓	✓				
Whole Council Design - Support	Corporate							Q4
Financial Resilience	F&SS							Q4
SAP Replacement Project	F&SS							Q4
Contract Management								
• WSP Framework (Highways)	F&SS	✓						
• Crawley Schools PFI		✓	✓	✓				
Contract Management (Registers)	F&SS	✓	✓	✓	Oct 19	Oct 19	N/A	Position Statement
Business Continuity – Follow up	DE&PP	✓	✓	✓	May 19	May 19	N/A	Follow up report
Employment status	HR&OC	✓	✓	✓				
Information Governance FOI Process	DC	✓						

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Document management and retention	DC	✓	✓	✓				
Decision Making and Accountability	L&A	✓	✓	✓				
LGA Peer review	Corporate							Q4
Treasury Management	F&SS	✓	✓	✓	Nov 19			
Travel Management Hub	F&SS	✓						
Accounts Payable	F&SS	✓						
Allowances	HR&OC	✓	✓	✓	Oct 19			
Capital Programme and Monitoring	F&SS	✓	✓					
Bank Reconciliations	F&SS	✓	✓	✓	Sept 19	Oct 19	Substantial	
IT Strategy and Planning	F&SS							Q4
Change Management	F&SS	✓	✓	✓	Sept 19	Oct 19	Substantial	
Data Storage and Data Backup	F&SS	✓	✓					
Disaster Recovery Planning	F&SS	✓	✓	✓	Nov 19	Dec 19	Limited	
Service resilience	F&SS							Q4
Problem & Incident Management	F&SS	✓						

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Firewalls & Malware Protection	F&SS	✓	✓	✓	Sept 19	Nov 19	Limited	
Network Infrastructure Management & Monitoring	F&SS	✓						
Safeguarding (CS assurance mapping)	DC&FS							Q4
SEND Special Educational Needs	DE&S							Q4
Think Family	DC&FS	n/a	n/a	✓	n/a		n/a	Grant certification
Recruitment and Retention (CS)	DC&FS							Q4
Budgetary Management (CS)	DC&FS							Q4
18 Teasel Close	DC&FS	✓	✓	✓	July 19	Oct 19	Adequate	
School Thematic – GDPR compliance	DE&S	✓	✓	✓				
School Thematic – Website content	DE&S	✓	✓	✓	May 19	Aug 19	Adequate	
School Thematic – Special Schools	DE&S							Q4
St Andrew's Primary School	DE&S	✓	✓	✓	July 19			
Clapham & Patching	DE&S	✓	✓	✓	June 19	July 19	Adequate	
Virtual School Pupils Premium	DE&S							Q4
SFVS	DE&S	✓	✓	✓	Dec 19			

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
HMIC inspection follow up 1	CFO	✓	✓	✓	Oct 19	Oct 19	n/a	Follow up report
HMIC inspection follow up 2	CFO							Q4
Fire Core Financial Systems	CFO	✓	✓					
Safeguarding Adults	DAS	✓	✓					
Deprivation of Liberty Safeguards – Follow Up	DAS	✓	✓					
Budgetary Management (AS)	DAS							Q4
Glebelands	DAS	✓	✓	✓	July 19	Oct 19	Adequate	
Asset Protection (recoverable works)	DH&T	✓	✓	✓				
Project to procure highway maintenance and improvement services	DH&T	✓						
Commuted Sums (post agreement) Maintenance of Assets	DH&T	✓						
Post project evaluation (re-letting of SSE contract)	DE&PP	✓						
Intentionally Homeless – Financial Control	DC&FS	✓	✓	✓	Oct 19	Dec 19	Limited	
Civil Parking Arrangements	DH&T	✓	✓	✓	Aug 19			

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Gigabit Project	DE&PP	✓	n/a	✓				Grant Certification
Crowdfunding (SpaceHive) governance	Corporate	✓	✓	✓				
Grant Certification(s)	Corporate	n/a	n/a	✓				
Internal Investments	F&SS	✓						
Externally Managed investments (AAF/SAS70 reports only) and pooling arrangements.	F&SS	✓	✓	✓	Nov 19			
Scheduled, Admitted and Employing bodies	F&SS							Q4
National Fraud Initiative	F&SS	n/a	n/a	✓	n/a	n/a	n/a	
Fraud Proactive - Prepayment cards for Direct payments	F&SS	✓	✓	✓	Oct 19	Nov-19	Adequate	
Fraud Proactive - Due diligence, care related payments	F&SS							Q4
Fraud Proactive - Purchasing cards	F&SS	✓	✓	✓	Sept 19			
Crawley Dual Use Agreements**	P&A							Q4

8. Adjustments to the Internal Audit Plan

Audit reviews removed from the plan	
Customer Finance Process – End to end	Adults Services are redesigning the business process from support brokerage to payment to providers. The re-design aims to be completed by December with implementation of changes by March 2020 therefore postpone audit review to 2020-21 once complete and embedded.
Alternative Delivery Models – Separate Entities	No significant, active delivery models, such as trading companies, have been identified for review. Crowdfunding (SpaceHive) is being covered as a separate audit in the 2019-20 plan. The Council are looking into various options therefore follow-up in 2020-21.
Cloud	A significant intended move over to cloud storage and hosting is planned although the move hasn't yet taken place therefore audit in 2020-21 to align to the project implementation timescales.
Traded Services with Schools*	The services are currently being reshaped and new services developed with the intention of increasing the traded offerings. Review once implemented.
Incentive Funding (Highways asset management)*	Highways funding certification. The return is not due until the summer of 2020 therefore realign audit to certification timescales.
Pensions Administration (post transfer review)*	The elements of administration work that was expected to be retained has subsequently transferred to Hampshire Pension Services therefore there is no residual administration activity to audit.
FRS Savings plan – realisation*	The anticipated savings realisation plan was replaced with a Service Investment Plan therefore no savings realisation activity to audit.

Audit reviews added to the plan (included in Rolling work programme above)	
Crawley Dual Use Agreements*	Following the 2018 Property Services Review, recent work to identify the most appropriate owner of the dual use arrangements has identified a potential lack of governance spanning several years.

*Updates subsequent to November 2019 RAAC

Overdue 'High Priority' Management Actions

Observation	Management Action	Implementation Date		Latest service update
		Original	Revised	
Special Guardianship Orders				
<p><u>Ownership of SGOs</u></p> <p>Ownership of Special Guardianship is split between the:</p> <ul style="list-style-type: none"> • SGO and Kinship Assessment Team (responsible for allocation and tracking of the assessment process); and • Special Guardianship and Adoption Support (SGAS) Team (responsible for providing support services post order). <p>Due to the fragmentation of the process there is a risk that the SGAS team may not be aware of all orders awarded and special guardians' expectations in relation to support plans may not be met.</p>	<p>The SG assessment team and the SG support team to be brought together under 1 Group Manager.</p> <p>Group Manager (GM) post to be advertised by end of April with a view that a GM would be in post by end of June with the teams to be configured together by end of September 2019.</p>	30.09.19	31.03.20	<p>A permanent appointment to the role was not identified therefore an interim Group Manager was appointed and commenced in post as of 03.09.19. Part of their role is to develop the model for a Friends and Family Team. As the formation of a Friends and Family Team is contingent upon the 'disaggregation' of another team therefore the timescales for formation are reliant upon this other piece of work. This will be subject to an HR consultation which is due to commence in January 2020 and will complete by 31.03.20. The Family and Friends Team will be in place as of this date.</p>
<p><u>Assessment Process</u></p> <p>A review of information recorded in Mosaic showed that there is a lack of consistency and that guidance is not followed.</p> <p>Testing highlighted records in Mosaic to be incomplete or absent</p>	<p>Guidance to be re-written to detail correct processes to be followed.</p>	30.06.19	TBC	<p>A mosaic Board is now in place to agree changes to the ICS to ensure changes are appropriate and is chaired by the AD for Safeguarding and Quality of Practice. A stocktake/health check is being undertaken of open steps where work is not completed on Mosaic to assure ourselves no risk or work not progressed. How we facilitate a data cleanse and tidy up can then be determined. There is a lead for this work and additionally a</p>

				second worker who also has a SW practice background to really understand the implication of work and recording issues.
--	--	--	--	--

Observation	Management Action	Implementation Date		Latest service update
		Original	Revised	
Retained Firefighters				
<p><u>Training records</u> Personnel cannot crew units if safety critical training has not been completed or refreshed.</p> <p>Firefighters are responsible for maintaining competence and ensuring that Firewatch is up to date; there are a limited number of terminals available for retained firefighters to access Firewatch and update their training records, which may be a contributory factor.</p>	<p>Undertake review of potential for integration of Learning Management System with Firewatch in order to remove the need for Firefighters to duplicate records on Firewatch</p>	31.10.19	31.03.20	<p>Discussions are ongoing with both IT providers as to the viability of creating the interface between FireWatch & Learning Pool this is proceeding as a collaboration with East Sussex Fire and Rescue and Surrey Fire and Rescue Services. This will transform the way we work to eliminate double data entry into multiple systems. They have agreed to speak to relevant companies and look to develop an interface (API) between both Learningpool and Firewatch and to establish whether the three services can share the cost of the development work and running costs as a collaboration.</p>

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Assurance Opinion	Overdue Management Actions		
			Priority	Implementation Date (original)	Implementation Date (Revised)
Fleet Management	Jun 2018	Satisfactory	Low	30.09.18	31.03.20
			Medium	31.12.18	31.03.20
			Medium	31.12.18	31.03.20
Governance Compliance	Feb 2019	Limited	Medium	31.05.19	01.03.20
			Medium	30.09.19	31.12.19
Section 106 / CIL / Commuted sums	Mar 2019	Adequate	Low	31.07.19	31.01.20
Concessionary Fares	Apr 2019	Adequate	Medium	01.10.19	31.01.20
Special Guardianship Orders	May 2019	Limited	Medium	31.07.19	31.12.19
			Medium	31.07.19	31.03.20
			Medium	30.09.19	31.03.20
Payroll and Employment Administration	July 2019	Adequate	Low	31.07.19	31.03.20
			Low	31.07.19	31.03.20
MSS	July 2019	Adequate	Low	31.07.19	30.09.21
Software Licencing	Aug 2019	Adequate	Low	30.11.19	31.12.19
			Medium	30.11.19	31.12.19
Access Control	Aug 2019	Adequate	Medium	30.09.19	31.12.19
			Medium	30.09.19	31.01.20
			Medium	31.10.19	31.12.19
Retained Firefighters	Sept 2019	Adequate	Low	30.09.19	31.03.20
			Medium	31.10.19	30.04.20
Cyber Security	Sept 2019	Adequate	Medium	30.09.19	31.12.19

West Sussex County Council Assurance Opinions (Pre 2018-19)

Substantial Assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses, which put some of the objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Regulation, Audit & Accounts Committee

20 January 2020

Internal Audit Progress Report – December 2019

Report by Head of Southern Internal Audit Partnership

Executive Summary

The purpose of this paper is to provide the Regulation, Audit & Accounts Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

Recommendation

The Committee notes the Internal Audit Progress report for the period to 31 December 2019 as attached.

1. Introduction

- 1.1 This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the outstanding recommendations.

2 Background

- 2.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Regulation, Audit & Accounts Committee, summarising:
- The status of 'live' internal audit reports (outstanding recommendations);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and
 - a summary of significant issues that impact on the Chief Internal Auditor's annual opinion
- 2.3 Appendix A summarises the activities of internal audit for the period up to 31 December 2019. The approved audit plan includes a provision for reactive and proactive fraud work.

Agenda Item 5

3. Resource Implications and Value for Money

3.1 None arising directly from this report

4. Equality Duty.

4.1 An Equality Impact Report is not required for this decision as report dealing with internal or procedural matters only.

5. Risk Management Implications

5.1 There are risks associated with services not addressing key management actions arising from the audit findings. Follow up audit review will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority management actions will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis.

Katharine Eberhart

Director of Finance and Support Services

Neil Pitman

Head of Southern Internal Audit Partnership

Contact: Neil Pitman, 07719 417233

Appendices

Appendix A - Annual Internal Audit Progress Report – December 2019

Background Papers

None

Regulation, Audit and Accounts Committee

20 January 2020

Quarterly Review of the Corporate Risk Register

Report by Director of Finance, Performance and Procurement

Executive Summary

This Committee has responsibility for oversight of the Council's risk management arrangements.

Risks relating to corporate leadership, governance and culture, and a lack of qualified and experienced Approved Mental Health Professionals (AMHP) have been added to the corporate risk register. The risks of the Council failing to define the required outcomes from commissioned activity, highways procurement litigation, DoLS backlog and the Commissioner recommending losing control of children's services have been removed.

The impact and likelihood of financial sustainability has decreased, the likelihood of systems and process non-compliance has increased as a result of the Children's Commissioner Report report, and the likelihood of a no-deal Brexit has reduced.

Risk will continue to be considered and discussed as part of a performance review by ELT; with a report capturing risks with a severity above the tolerance threshold, submitted monthly to Cabinet (via ELT).

The Risk Management in Practice course has been fully designed and, pending testing, is due to be launched in the next financial year.

Recommendations

The Committee is asked to review the information detailed in the report, the current Corporate Risk Register and provide comment as necessary.

1. Introduction

1.1 The Committee has responsibility 'to monitor the effective development and operation of risk management in the County Council'. That role, together with a description of the Council's approach to risk management, is set out in the Constitution at Part 4 Section 4. It covers the allocation of responsibilities, including the quarterly review of risk management activity.

2. Background and Context

2.1 At the Nov 2019 meeting this committee reviewed the corporate risk register and risk management processes. The committee were informed of changes to the corporate register from the previous quarter and were also made aware of the current status of risk training and education. Comments from the committee were either addressed at the meeting or are included in the body of this report.

2.2 During the preceding quarter there have been the following changes to the corporate risk register.

- Corporate risk #65 – Failing to implement corporate leadership, governance and culture recommendations
 - New risk
 - Risk owner – Chief Executive
- Corporate risk #66 – Lack of suitably qualified and experienced Approved Mental Health Professionals (AMHP)
 - New risk
 - Risk owner – Executive Director of Adults and Health
- Corporate risk #36 - Failure of the Council to define the required outcomes from commissioned activity
 - De-escalated for directorates to consider and include if necessary
- Corporate risk #57 - Deprivation of Liberty Safeguards (DoLS) assessments
 - De-escalated to ASC risk register
- Corporate risk #62 - Commissioner recommends losing control of children's services
 - Closed – risk realised
- Corporate risk #63 – Highways Procurement Litigation
 - Closed - settled
- Corporate risk #1 – No deal Brexit
 - Likelihood decreased from 5 to 4
- Corporate risk #7 - Non-compliance and a lack of standardisation in some systems and processes
 - Likelihood increased from 3 to 4 as a result of the Children's Commissioner Report report
- Corporate risk #22 - Financial sustainability of council services
 - Impact and likelihood decreased from 5 to 4
- Corporate risk #58 – Failure of social care provisions
 - Risk re-evaluated due to change in risk owner
 - New actions to mitigate have been identified
 - No change in current or target risk

2.3 The following table summarises risks on the corporate risk register with a severity graded above the tolerance threshold are as follows:

Risk No	Risk	Score - Prev Qtr	Score
CR22a	In-year projected overspend	25	25
CR61	Death/serious injury of a child (Council failing in their duty)	25	25
CR66	Lack of suitably qualified and experienced Approved Mental Health Professionals (AMHP)	New	25
CR22	Financial sustainability	25	20
CR39a	Cyber-security	20	20
CR58	Failure of social care provisions	20	20
CR59	Transformational pace and cultural change	20	20
CR60	HMIC FRS Improvement Plan	20	20
CR65	Corporate leadership, governance and culture	New	20
CR1	No deal Brexit	20	16
CR7	Non-compliance and a lack of standardisation in some systems and processes	12	16
CR11	Recruit and retain staff	16	16
CR50	Insufficient health & safety governance	16	16

2.4 The risks with a severity of 25 on directorate risk registers are as follows:

Nil

2.5 Transformation and Capital Programme risks are reported through their respective programme boards. There is ELT representation on each of these boards ensuring that significant concerns to the successful delivery of the programmes and/or associated projects are discussed, communicated to ELT and reflected in the corporate risk register if required. The Corporate Risk Manager has continued to carry out frequent reviews of the project and programme level risk registers.

2.6 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager where required. The Corporate Risk Manager has continued to engage monthly with Executive Directorate teams to discuss corporate risks and governance.

2.7 The risk management eLearning course is embedded in the induction module for new staff and annual refresher training. It has been requested to extend the Risk Management Lunch 'n' Learn sessions to March 2021. The Corporate Risk Manager has designed a follow-on course 'Risk Management in Practice' which is due to be launched next year.

2.8 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.

2.9 Enduring activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:

- Continue to attend the Sussex Resilience Forum Risk Group to maintain visibility on national risks that may impact WSCC and require inclusion on Corporate Risk Register
- Attend the South East Risk Managers Group to share best practice of risk management in the public sector across various local authorities
- Attend appropriate seminars held by professional bodies e.g. Alarm, CMI
- Support projects and programmes to provide assurance and support on robust governance
- Engage and support Executive Directors, Directors, service managers and their teams on capturing and communicating risk
- Continue to engage with Transformation and Capital Programme Boards to ensure and support consistent organisational risk governance
- Attendance at/facilitating various internal boards/meetings and working groups

2.10 The committee is asked to consider the Corporate Risk Register and future actions and provide comment as necessary.

3. Equality Impact Report

3.1 An Equality Impact Report is not required for this decision as it is a report dealing with internal and procedural matters only, although the Council's responsibilities in relation to the public sector equality duty will be one element of the approach to risk management.

4. Resource Implications and Value for Money

4.1 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops and risk training sessions in existing management meetings where possible to mitigate resource and scheduling conflicts. However, the impending 'Risk Management in Practice' course will take place during working hours, and participants will be responsible for ensuring their attendance doesn't significantly impact their role requirement.

5. Risk Management Implications

5.1 The subject of the report is the CRR. It would be contrary to the interests of the Council not to ensure that its risk management processes and registers were not aligned to Risk Management Strategy.

6. Crime and Disorder Act Implications

6.1 None.

7. Human Rights Act Implications

7.1 None.

Katharine Eberhart

Director of Finance and Support Services

Contact: Katharine Eberhart, 0330 2222 087

Appendices

Appendix 1 - Corporate Risk Register

Background Papers

None

This page is intentionally left blank

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date			
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score				
CR1	The impact of a no deal Brexit may result in service delivery issues in Council services.	Chief Executive	1. Uncertainty on staff available to deliver council services i.e. care workers.	Nov-17	4	4	16	Tolerate	4	4	16	Brexit implications across all current corporate risks is being carried out. The Resilience and Emergency Team is engaged in planning across the South east.	Chief Executive	ongoing	Gather data to inform impact of negotiations; liaise with network to share information; work with businesses to show ongoing commitment. Directorates to collate data to be used for analysis once Brexit is fully understood. Risk re-assessed 6 monthly or in event of significant Brexit statements.	4	4	16	Mar-20			
			2. Uncertainty on local businesses.									Introduce Brexit Monitoring Group.								Chief Executive	Jul-19	BMG created and meets monthly to discuss and collate organisational Brexit concerns/thoughts. Completed
			3. Impact of growth projections.																			
			4. Supply chain uncertainty in contracts.																			
			5. Potential demand on resilience teams.																			
CR7	There are governance systems which inhibit effective performance and a culture of non-compliance and also a lack of standardisation in some systems and processes . Skills and knowledge of systems inadequate and excessive effort required for sound decisions and outcomes.	Director of Law & Assurance	1. Delayed decisions impede service delivery.	Dec-19	4	4	16	Treat	2	2	4	Module on political management and systems for CLT and CMT to be developed and provided.	Director of Law & Assurance	Mar-20	planned.	4	4	16	Mar-20			
			2. Service improvement effort impeded.									Governance changes to be settled and approved by Council.								Director of Law & Assurance	Dec-19	Governance Committee 02/12/19
			3. Resources misapplied - poor VFM.									Data on areas of non-compliance used to inform Directors to enforce compliance with standards.								Director of Law & Assurance	Ongoing	Annual Governance Statement action plans.
			4. Complaints and claims.									Systems and processes to be simplified and guidance for specific procedures to be refreshed.								Head of Democratic Services	Mar-20	planned.
			5. Censure by external inspection.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.								Head of Audit	Ongoing	Discussed as part of Audit planning. Review of information generated. TK to engage audit to determine output.
												Audit plan focussing reviews on key corporate support systems to identify key areas in need of improvement.								Head of Audit	Ongoing	Discussed as part of Audit planning. Review of information generated. TK to engage audit to determine output.
CR11	Due to skills shortages in several disciplines and areas (internally and externally), the Council is unable to recruit suitable staff into vacant positions; and may encounter problems with retaining experienced existing staff.	Director of Human Resources & Org Change	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	3	12	Identification of hard to fill posts and reasons.	Head of Res Org Dev & Talent	Apr-19	Completed. May 19	4	4	16	Feb-20			
			2. Lack of corporate memory.									Review the policy and provisions for recruiting and retaining hard to fill posts.								Head of Res Org Dev & Talent		Reviewing resettlement policy; going to ELT July 18. Presented to ELT. Repayment terms in development. Completed
			3. Inadequate pace/speed of delivery.									Simplifying processes for recruiting and engaging with potential applicants for hard to fill posts.								Head of Res Org Dev & Talent	Jan-20	Partially completed. Recruiter licences for Linked-in and Reed purchased and being used to source candidates/reach out to candidates directly.
			4. Low staff morale and performance.									Application of policy and provisions for various hard to fill posts.								Head of HR Bus Ptr & Org Change	Ongoing	
												Provision of clear financial support for recruitment and retention policy and provisions procedures.								Head of Specialist HR Services	Dec-19	
	Longer term strategies for addressing recruitment issues e.g. apprenticeships.	Head of Res Org Dev & Talent	Ongoing	Partially Completed. 3 year plans in place for apprenticeships. LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising.																		

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the recent Ofsted and HMIC FRS reports.	Director of Finance & Support Services	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Treat	4	3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing		4	4	16	Mar-20
			2. Adverse effect on reserves/balanced budget.									Request additional funding from the relevant government departments to help deal with service improvement in Children's and Fire and Rescue.							
			3. Reputational impact through reduction of service quality									Monitor the use of additional funds made available to improve service delivery.							
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.									To continue to lobby government groups to influence funding decisions.							
CR22a	The in-year projected overspend position is likely to significantly reduce the Councils reserves.	Director of Finance & Support Services	1. Adverse effect on reserves/balanced budget.	Jul-19	5	5	25	Treat	4	3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing		5	5	25	Feb-20
			2. Reputational impact through reduction of service quality									Request additional funding from the relevant government departments to help deal with service improvement in Children's and Fire and Rescue.							
			3. Additional unexpected service and cost pressures from not implementing savings decisions.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date		
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR39a	The Council's systems are subject to a Cyber-Security attack leading to a loss of data or system failure.	Director of Finance & Support Services	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.	Head of IT	Ongoing	Role specific training delivered to children's services due to analysis of breach data received. Regular comms distributed to all staff. Included as annual refresher. Interim course to communicate essential/key information as soon as possible. Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19. New awareness campaign being developed.	4	5	20	Feb-20		
			2. The Council's reputation is damaged.									Improve RA's data stores, both local and cloud-based, during procurement and deployment. DPIA template created and used for all data protection activities.			Head of IT					Dec-18	As part of new data privacy impact assessments. Privacy Impact Policy currently being drafted (including guidance) Complete Jan 19
			3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)			Head of IT					Ongoing	Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19. New awareness campaign being developed. IT Health check undertaken with observations to be addressed.
			4. Partners will not share data or information with the Council.									Ensure that cyber-attack is identified early, that reporting & monitoring is effective, and recovery can be prompt.			Head of IT					Ongoing	Full audit not carried out by IA 2019. Instead a full review took place in May 2019 of progress against actions from the 2018 audit. Ethical Hacker training being carried out. Review of advanced threat management solution.
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with National Cyber-Security centre recommendations.			Head of IT					Ongoing	Maintain watching brief for updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARP).
												Subscribe to early warning and intelligence sharing arrangements.			Head of IT					Ongoing	WSCC has formally joined SE Warning Advice and Reporting Point (WARP). Complete March 19
												Test the effectiveness of DPIA			Head of IT					Ongoing	To be conducted annually
												Adopt ISO27001 (Information Security Management) aligned process & practices.			Head of IT					Ongoing	
												Maintain IG Toolkit (NHS) & Public Service Network security accreditations.			Head of IT					Ongoing	Joint submission to NHS Digital in the 2019 assessment by the Data Protection Team; to cover ensure IGTK incorporates Information Security, along with Info Governance. PSN accreditation submitted.

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR39b	New data protection legislation now in force which imposes additional obligation on the council. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure obligations are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Treat	3	3	9	Improve staff awareness of personal & business information security practices.	Director of Law & Assurance	Sep-18	Completed.	4	3	12	Feb-20
			2. The Council's reputation is damaged.									Ensure that access to sensitive data and information is controlled.	Director of Law & Assurance	Ongoing	Completed.				
			3. Resident's trust in the Council is undermined.									Ensure that data is appropriately mapped and classified.	Director of Law & Assurance	Sep-18	Completed.				
			4. Partners will not share data or information with the Council.									Develop & support effective information governance across the Council.	Director of Law & Assurance	Sep-18	Completed.				
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with GDPR requirements.	Director of Law & Assurance	Sep-18	Completed.				
												Adopt ISO27001 (Information Security Management) aligned process & practices.	Head of IT	Ongoing					
												Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Joint submission to NHS Digital in 2019 assessment by the Data Protection Team; to ensure IGTK incorporates Information Security, with Information Governance. PSN accreditation submitted.				
												Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change.	Director of Law & Assurance	Ongoing	Processes settled. Most impact assessments completed.				
												Carry out actions resulting from completed or planned Data Privacy Impact Assessments (DPIA).	Director of Law & Assurance	Ongoing	DPIA to be conducted annually				
												Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.	Head of IT	Ongoing	As part of GDPR reviews of existing arrangements.				
												Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.	LA Solicitor	Ongoing					
												Internal Audit to carry out an audit of the Data Protection Service.	Internal Audit	May-19	Full audit not carried out by IA 2019. Instead a full review took place in May 2019 of progress against actions from the 2018 audit. Closed Sep 19				
												Test the effectiveness of DPIA	Head of IT	Ongoing	To be conducted annually				
												Actions to address basis for limited assurance re GDPR to be completed (by Dec 2019)	Head of IT	Dec-19	Completed Nov 19.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date		
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR50	Insufficient health & safety governance and training across the organisation and in relation to outsourced providers or via traded services e.g. schools, coupled with a lack of accountability by directorate; may lead to a serious health & safety incident occurring and/or not being reported.	Director of Human Resources & Org Change	1. People come to harm.	Mar-17	4	5	20	Treat	4	3	12	Ensure mandatory training is undertaken and updated for annual refresher.	Health and Safety Manager	Ongoing	Training content has been signed off.	4	4	16	Feb-20		
			2. Complaints/claims/litigation.									Revise the governance structure and terms of reference for H&S.			Health and Safety Manager					Jul-18	Completed. HS&W framework in place. Rep committee and gov boards taking place 6 monthly.
			3. Increased costs.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.			Health and Safety Manager					Apr-20	Partially completed. Fire Warden training and H&S eLearning included in annual refresher training from 1 Feb 19. TNA produced with suite of courses required identified. Courses to be commissioned include bespoke modules for induction & asbestos awareness.
			4. Censure by audit/inspection/intervention by statutory agencies.									Implementation of wellbeing interventions identified within People Strategy.			Head of Specialist HR Services					Apr-20	Appraisal form redesigned to include wellbeing. Timewise diagnostic undertaken. Complete Nov 19.
			5. Adverse publicity.									Incorporate HS&W information into current performance dashboard.			Health and Safety Manager					Apr-20	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents.
			6. Reputation damage.									Invite peer review from other LGA to share best practice (critical friend).			Director of Human Resources & Org Change					Oct-18	Completed. Review and report completed. WSCC CEO, Dir HROC and Kent CC to discuss report and review current service delivery model.
			7. Adverse effect on morale.									Health and Wellbeing needs assessment.			Health and Safety Manager					Ongoing	Procurement process in motion. Specification and related paperwork complete - awaiting confirmation from Legal, then going out to tender.
												Review internal audit report and reporting mechanism.			Health and Safety Manager					Ongoing	Review completed and outcomes identified. Outcomes feeding into training action/control. Draft IA report signed off by CEO. Final IA report to completed and issued by IA. The key issues requiring action had already been identified in the H&S interventions and outcomes strategy and action is being taken to address these as the strategy develops. Complete Nov 19.

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date	
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score		
CR58	If there were to be a failure of social care provisions there is a risk that both WSCC funded residents and self-funding residents are not being properly cared for; which may result in death or injury to individuals and significant reputational harm to the council.	Executive Director of Adults and Health	1. Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.	Sep-18	5	5	25	Treat	3	3	9	Consideration of opportunities to provide services in house to enable contingency for provider failure.	Cx Lead	Apr-20	Initial business case completed. Further analysis indicating delivery will involve higher cost. Requires appetite check of costs prior to completing full business case.	5	4	20	Feb-20	
2. CQC action against service provider which could lead to establishment closure at short notice			Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.									Head of Contracts & Performance			ongoing					Information used to support emergency planning and inform quality processes.
3. Financial implication of cost of reprovision following closure of services.			Scoping and implementation of a multi agency failure prevention team.									Joint Strategic Director of Cx			ongoing					Agreement was made in October 2019 with the CCG Chief Nurse to proceed with the joint programme. Workshop took place Dec 19 with agreement on the need for a joint residential/nursing contract, exploration of income generation opportunities and potential of increased offer to providers who agree to managed rates.
4. Reduced capacity in the market as a result of failure of provision.			Financial analysis of high risk provision - due diligence checks.									Head of Contracts & Performance			ongoing					Working with strategic contracts to identify key providers for more regular financial checks.
5. Delayed Transfer of Care (DTC)			Development and embedding of multi agency Quality, Safeguarding and Improvement Group, Strategic Provider Concerns meeting and mechanisms to focus on specific providers where concerns arise.												ongoing					QSIG established. Working towards embedding these mechanisms and confirming benefit in terms of preventative focus.
6. Non-compliance with Care Act.			Ensure the consistent implementation of Emergency Response Plans.									Head of Adult Operations			ongoing					Emergency plans in place for residential services and Domiciliary Care provision. To be continually reviewed following incidences and learning.
7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.			Ensure engagement with RET for support and assistance with control in the event of an incident.									Head of Adult Operations			ongoing					to work with RET to confirm process is robust and learn from incidences.
			Post incident, ensure a full debrief and lessons learned is carried out.									Head of Adult Operations/RET			ongoing					existing process in place with RET
			Ensure a business continuity plan is in place and effective.									Ops Manager - Independent Living			ongoing					to work with RET to confirm process is robust
	Capacity Action plans for residential and non residential services to focus on long and short term actions to improve capacity to support potential contingencies.	Cx Lead	ongoing	Progress on capacity action plans to be reported to senior managers weekly.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date			
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score				
CR59	Benefits from transformation are not realised within projected timescales because of a lack of robust and effective portfolio governance adversely impacting on in-year budget pressures.	Director of Finance & Support Services	1. Financial pressures through non-delivery of savings.	Nov-17	4	4	16	Treat	3	3	9	Review current programme to ensure robust project and programme plans are developed to implement changes and savings.	Director of Finance & Support Services	Jan-20		4	5	20	Apr-20			
			2. Failure to improve customer services.									Develop effective benefits tracking process.								Director of Finance & Support Services	Mar-20	
			3. Inefficient and ineffective business processes.									Develop detailed programmes in collaboration with Directors to deliver required changes.								Director of Finance & Support Services	Mar-20	
			4. Failure to deliver required cultural changes.									Develop organisational benefits management and change management strategies.								Director of Finance & Support Services	Ongoing	Both strategies have been agreed and reviewed bi-annually. Complete
												Profile anticipated benefits and develop dashboard for benefit tracking.								Director of Finance & Support Services	Ongoing	19/20 and 20/21 in year benefits have been re-profiled to reflect that original benefits will no longer be achieved in the required timescale. Complete Jan 20.
CR60	There is a risk of failing to deliver the HMIC FRS improvement plan , leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Chief Fire Officer	1. Reputational damage	Apr-19	5	4	20	Treat	5	2	10	Secure programme funding.	Chief Fire Officer	ongoing	Phase 1 funding secured to ensure cause of concern could be addressed (Complete Jul 19). Phase 2 funding bid to ensure FRS moves from 'in need of improvement' to 'good'. To be agreed at February Full Council Meeting.	5	4	20	Feb-20			
			2. Corporate Governance Inspection									Set up Independent HMIC FRS Advisory Board.								Chief Fire Officer	Jan-20	Complete Dec 19.
			3. Legal implications of not delivering statutory services									Recruitment of key programme personnel.								Chief Fire Officer	Jan-20	Programme manager in post. Complete Dec 19.
			4. Increased risk harm									Ensure robust project and programme governance in place and monitor delivery.								Chief Fire Officer	ongoing	Detailed project and programme plans have been produced. Plans to be modified if recommended by Independent HMIC FRS Advisory Board. HMIC FRS to revisit WSCC FRS the week of 20th January 2020 to review improvement against areas of cause of concern.

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date			
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score				
CR61	A 'serious incident' occurs resulting in the death or serious injury of a child where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	Executive Director of Children, Young People and Learning	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged.	Jun-19	5	5	25	Treat	5	2	10	Implement Practice Improvement Plan (PIP).	Executive Director of Children, Young People and Learning	Feb-20	PIP currently being refreshed after 5 months progress of successful delivery.	5	5	25	Mar-20			
			2. Subject to investigation and further legal action taken against the Council.									Establish statutory Improvement Board.								Executive Director of Children, Young People and Learning	Feb-20	Moving from voluntary to statutory Improvement Board, chaired by Children Social Care Commissioner for West Sussex.
			3. Immediate inspection and Government intervention.									Establish QA/Performance Management process/cycle.								Executive Director of Children, Young People and Learning	Dec-19	QA framework approved, monthly cycle now in place. Complete Dec 19.
												Provide proactive improvement support to services to assure effective safeguarding practices.								Executive Director of Children, Young People and Learning	ongoing	Specialist provider commissioned to support social workers in Children Looked After Service and Family, Support and Protection Service (in place by April 2020).
CR65	The review of corporate leadership, governance and culture recommended in the Children's Commissioner's report is not fully undertaken or effectively implemented leading to a lack of necessary improvement and further service failures or external intervention.	Chief Executive	1. Service failure	Dec-19	5	4	20	Treat	3	2	6	Appointment of East Sussex County Council as partner in practice for corporate improvement.	Leader WSCC	Jan-20	Completed Dec 19	5	4	20	Mar-20			
			2. External intervention									Settlement of agreement for support by ESCC.								Director of Law & Assurance	Jan-20	Complete
			3. Poor value for money									Completion of improvement plan scoping phase.								Chief Executive	Mar-20	
												Recruitment of senior DCS.								Chief Executive	Jan-20	Recruitment underway. Assessment Centre timetabled.
												Develop plan to stabilise senior leadership team.								Chief Executive	Mar-20	Identifying actions to reduce risk of senior leadership churn.
												Engage with external partners (including LGA) to scope and deliver Leadership development for Cabinet and Senior Officers.								Director of Law & Assurance	Jan-21	Scoping underway with LGA and external partners. Plan due by end-Feb 20.
												Implementation of governance changes as approved by Council (17.12.19)								Director of Law & Assurance	Apr-21	Those for immediate implementation are complete. Others scheduled to meet Councils decision.
CR66	Due to a lack of suitably qualified and experienced Approved Mental Health Professionals (AMHP) there is a risk that the Council will be unable to meet the demand for mental health assessments.	Executive Director of Adults and Health	Increased risk of death or serious injury.	Jan-20	5	5	25	Treat	5	2	10	Full policy and process review.	Head of Adult Operations	Apr-20	Rapid Improvement Operational plan.	5	5	25	Apr-20			
			WSCC subjected to legal action on behalf of customer or through employment tribunal.									Seek additional funding on a temporary basis to recruit more AMHP's while transformation work is ongoing.								Head of Adult Operations	ongoing	
			Wider impact on health and social care system through delays in carrying out assessments.									Review AMHP model to incorporate national best practice.								Abbie Murr	Oct-20	Paper to Cabinet end-Jan 20 with recommendations.
												Develop role profile and recruit dedicated AMHP lead post.								Head of Adult Operations	Feb-20	Locum commencing employment end-Jan 20.

Regulation, Audit and Accounts Committee
20 January 2020
Treasury Management Compliance Report – Third Quarter 2019/20
Report by Director of Finance and Support Services

Executive Summary

In accordance with treasury management governance arrangements, this report details compliance against planned parameters as approved within the annual Treasury Management Strategy Statement (TMSS).

During the third quarter of 2019/20 the Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance and Support Services confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendations:

That the report be noted.

1. Introduction

- 1.1 The Council has substantial amounts of investments and borrowings and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management recommends that members are regularly updated on treasury management activity; this report therefore ensures the Council is implementing best practice in accordance with the Code.

2. Compliance Report

- 2.1 Throughout the third quarter of 2019/20 the Council complied with the relevant statutory and regulatory requirements which require officers to identify and where possible quantify the levels of risk associated with its treasury management activities. Additionally there were no changes to the Council's approved 2019/20 lending list as a result of credit updates; including rating information published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.
- 2.2 Borrowing: At 31 December 2019 the Council's Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £481.8m (£485.3m at 30 September 2019). During the third quarter of 2019/20:

- (a) No new external borrowing for capital purposes was undertaken during the period; however £3.5m (plus interest) was repaid to the PWLB as per the terms and conditions of the £70m borrowing taken during April 2011.
- (b) HM Treasury and the PWLB announced a 1% increase in the margin over UK Gilt yields on top of the 0.8% margin over gilts local authorities had previously paid to borrow funds; with the aim of returning PWLB borrowing rates back to levels seen in 2018.
- (c) No external debt rescheduling was undertaken during the period.
- (d) Excluding money held on behalf of the Chichester Harbour Conservancy (and its associated charities) no short-term borrowing was undertaken for cash flow purposes. The Council's policy of funding daily cash flow shortages from balances held in the Council's instant access bank accounts and short-term Money Market Funds was maintained throughout the period.

2.3 Investment: The average level of Council funds available for treasury investment during 2019/20 (to-date) was £300.7m. Actual levels of investments, including cash balances held in the Council's main Lloyds business bank accounts, amounted to £324.1m at 31 December 2019 (£305.0m as at 30 September 2019). Investment balances continue to depend on the timing of precept payments from West Sussex Boroughs/Districts and government grants received in advance of expenditure, levels of useable reserves and the progress on the Council's capital programme (including the arrangement of new long-term borrowing).

2.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of unsecured bank deposits and short-term Money Market Funds however remains an integral part of the Council's investment strategy in maintaining adequate cash-flow liquidity as well as enhancing short-term investment returns. As a consequence, the disposition of bank unsecured/other investments at 31 December 2019 as compared with 30 September 2019, is detailed below:

Counterparty Type	Sep-19 £m	Sep-19 %	Dec-19 £m	Dec-19 %
Banks Unsecured	134.8	44.2	105.4	32.5
Short-Term Money Market Funds	46.2	15.1	39.8	12.3
Total Bank Unsecured	181.0	59.3	145.2	44.8
Bank Secured (greater than 1 year)	10.0	3.3	10.0	3.1
Non-Bank (less than 1 year)	30.0	9.8	80.0	24.7
Non-Bank (greater than 1 year)	20.0	6.6	25.0	7.7
Internal Investments	241.0	79.0	260.2	80.3
Externally Managed - Bond Funds (i)	24.6	8.1	24.6	7.6
Externally Managed - Multi Asset	15.4	5.0	15.5	4.8
Externally Managed - Property	24.0	7.9	23.8	7.3
TOTAL INVESTMENTS	305.0	100.0	324.1	100.0

(i) *Ultra-Short Dated Bond Funds (Enhanced Cash)*

- 2.5 Following PWLB increasing the cost of borrowing (see paragraph 2.2[b]) and given the statutory provisions set out in the Local Government Act 2003 that prevent local authority default, the Council took advantage of the favourable rates offered on the local-to-local borrowing market (as compared with bank deposit rates) and increased total investments held with other UK Local Authorities to £95m; thereby reducing bank unsecured deposits. This included a £5m investment with Barnsley Metropolitan Borough Council fixed at 1.45% for two years. No maximum monetary limit for total short-term (up to one year) investments with local authorities is set within 2019/20 Treasury Management Strategy (£25m maximum per local authority); therefore all investments approved during the third quarter remain compliant with the strategy.
- 2.6 The full breakdown of the Council's investment portfolio at 31 December 2019 is shown in **Appendix 1**.
- 2.7 In demonstrating compliance with the Council's creditworthiness policy (as contained within the approved 2019/20 "Annual Investment Strategy") the movement in the Council's investment portfolio (actual cash position) by the credit rating of the financial institution, or the credit rating of the specific investment (for example covered bonds) if higher than the individual counterparty rating, is shown below:

Institution / Investment Credit Rating	Mar-19 £'m	Jun-19 £'m	Sep-19 £'m	Dec-19 £'m
AAA (i)	88.0	90.3	56.2	49.8
AA	0.0	0.0	0.0	0.0
AA- (ii)	47.7	75.0	100.0	122.1
A+	14.8	14.9	14.9	15.1
A	0.0	44.9	59.9	63.2
A-	15.0	0.0	10.0	10.0
Internally Managed	165.5	225.1	241.0	260.2
Externally Managed (AAA)	0.0	24.5	24.6	24.6
Externally Managed (Other)	39.3	39.6	39.4	39.3
TOTAL INVESTMENTS	204.8	289.2	305.0	324.1

(i) Includes short-term Money Market Funds and Covered Bonds.

(ii) Includes all non-rated UK local authorities (assumed AA- rating).

- 2.8 Furthermore, the Director of Finance and Support Services confirms that during the third quarter there were no breaches of the following additional exposure limits as approved within the 2019/20 Annual Investment Strategy, including:
- (a) Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds): Actual **£25.0m** invested with Australian banks at 31 December 2019.
- (b) Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account: Actual **£33.2m** at 31 December 2019.

- (c) Up to a maximum of £115m may be invested in short-term Money Market Funds (excluding externally managed pooled funds): Actual **£39.8m** at 31 December 2019.
- (d) Up to a maximum of £100m may be invested in externally managed pooled funds; of which £60m may be invested in such funds not holding a AAA credit rating: Actual **£63.9m** total investment at 31 December 2019 (of which **£39.3m** is invested in unrated multi-asset income and property funds).
- (e) Up to a maximum of £75m to be made available for long-term strategic investment based on forecast levels of PFI/MRMC reserves (as reported in the Council's Treasury Indicators): Actual **£74.3m** at 31 December 2019.

3. Resource and Value for Money Implications

Covered in main body of report.

4. Risk Management Implications

Covered in main body of report.

5. Human Rights Act Implications

Not applicable.

6. Crime and Disorder Act Implications

Not applicable

Katharine Eberhart

Director of Finance and Support Services

Contacts:

Vicky Chuter, ext no: 23414

Jon Clear, ext. no: 23378

Background Papers: None

Appendix 1

Investments held with counterparty's approved within the Council's 2019/20 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 31 December 2019, are set out below:

Total Investments for period = £324.1m

Table 1: UK Banks (Unsecured) – Total £80.4m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Goldman Sachs International Bank	A	£15m	6 Months	07/11/19	07/05/20	182	128	1.02%	£10.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	0.69%	£2.1m
Lloyds Bank Plc: Business Account(s)	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.65%	£0.2m
Lloyds Bank Plc: 175-Day Notice Account)	A+	£15m	1 Year	n/a	n/a	n/a	n/a	1.13%	£14.9m
National Westminster Bank Plc	A	£15m	1 Year	01/04/19	02/01/20	276	2	1.01%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	01/04/19	31/03/20	365	91	1.07%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	01/10/19	30/09/20	365	274	0.91%	£5.0m
Nationwide Building Society	A	£15m (i)	6 Months	05/07/19	06/01/20	185	6	0.82%	£15.0m
Santander UK Plc (Snr Unsecured Bond)	A	£15m	6 Months	05/12/19	17/02/20	74	48	0.88%	£13.2m
Standard Chartered Bank (CD)	A	£15m	6 Months	05/11/19	05/05/20	182	126	0.88%	£10.0m

Table 2: UK Banks (Secured) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Nationwide Building Society (Covered Bond)	AAA	£10m (i)	10 Years	02/08/19	02/08/22	1,096	945	1.14%	£10.0m

(i) The total amount invested per financial institution (secured and unsecured deposits) cannot exceed £25m.

Table 3: Non-UK Banks (Unsecured) – Total £25.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	100	1.14%	£5.0m
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	21/05/19	20/05/20	365	141	1.14%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	13/01/20	276	13	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	01/05/19	24/02/20	299	55	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	100	0.98%	£5.0m

Table 4: UK Local Authorities – Total £95.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen City Council	AA-	£25m	20 Years	19/12/19	24/09/20	280	268	0.95%	£5.0m
Barnsley Metropolitan Borough Council	AA- (ii)	£25m	20 Years	05/11/19	05/11/21	731	675	1.45%	£5.0m
Cambridgeshire County Council	AA- (ii)	£25m	20 Years	11/04/19	09/04/20	364	100	0.98%	£5.0m
Croydon Council	AA- (ii)	£25m	20 Years	05/11/19	03/11/20	364	308	0.95%	£10.0m
Dundee City Council	AA- (ii)	£25m	20 Years	29/10/19	27/10/20	364	301	0.98%	£5.0m
Doncaster Metropolitan Borough Council	AA- (ii)	£25m	20 Years	15/08/19	13/08/20	364	226	0.88%	£5.0m
Hull City Council	AA- (ii)	£25m	20 Years	15/11/19	15/05/20	182	136	0.90%	£5.0m
North Lanarkshire Council	AA- (ii)	£25m	20 Years	09/12/19	09/11/20	336	314	0.93%	£5.0m
Plymouth City Council	AA- (ii)	£25m	20 Years	09/04/18	09/04/20	731	100	1.40%	£10.0m
Salford City Council	AA- (ii)	£25m	20 Years	13/12/19	11/12/20	364	346	0.95%	£5.0m
Slough Borough Council	AA- (ii)	£25m	20 Years	29/11/19	29/05/20	182	150	0.86%	£5.0m
Surrey County Council	AA- (ii)	£25m	20 Years	24/12/19	24/06/20	183	176	0.90%	£10.0m
Thurrock Council	AA- (ii)	£25m	20 Years	03/07/19	02/07/20	365	184	0.95%	£10.0m
Thurrock Council	AA- (ii)	£25m	20 Years	05/08/19	04/08/20	365	217	0.92%	£10.0m

(ii) Assumed UK Local Authority credit rating if no actual rating exists (one notch lower than the UK sovereign rating).

Table 5: UK Housing Associations (RSLs) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Metropolitan Housing Trust (MTVH Group)	A-	£15m	5 Years	05/09/19	06/09/21	732	615	1.40%	£10.0m

Table 6: Short-Term Money Market Funds – Total £39.8m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	0.73%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	0.69%	£14.8m

(iii) No defined maturity periods for short-term Money Market Funds; withdrawals based on cash flow liquidity requirements.

Table 7: Pooled Funds (Externally Managed) – Total £63.9m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Dividend Return	Amount
Federated Sterling Cash Plus Fund	AAA	£25m	Note (iv)	11/04/19	n/a	265	n/a	0.86%	£24.6m
Fidelity Multi-Asset Income Fund	n/a	£15m	Note (v)	11/12/18	n/a	386	n/a	4.90%	£8.0m
Investec Diversified Income Fund	n/a	£15m	Note (v)	05/12/18	n/a	392	n/a	4.29%	£7.5m
CCLA (Local Authorities' Property Fund)	n/a	£15m	Note (vi)	28/02/17	n/a	1,037	n/a	4.23%	£9.7m
Hermes Property Unit Trust (HPUT)	n/a	£15m	Note (vi)	28/08/18	n/a	491	n/a	2.99%	£9.5m
Lothbury Property Trust (LPT)	n/a	£15m	Note (vi)	03/09/18	n/a	485	n/a	2.96%	£4.6m

(iv) Up to one year investment horizon for externally managed ultra-short dated bond funds (enhanced cash).

(v) Three year investment horizon for externally managed multi-asset income funds.

(vi) Minimum five year investment horizon for externally managed property funds.

This page is intentionally left blank