

Public Document Pack

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8 January 2021

Regulation, Audit and Accounts Committee

A virtual meeting of the Committee will be held at **10.30 am** on **Monday, 18 January 2021**.

Note: In accordance with regulations in response to the current public health emergency, this meeting will be held virtually with members in remote attendance. Public access is via webcasting.

The meeting will be available to watch live via the Internet at this address:

<http://www.westsussex.public-i.tv/core/portal/home>

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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 - 12)

The Committee is asked to agree the minutes of the meeting held on 20 November 2020 (attached, 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. External Audit

The Committee to receive a verbal update from the External Auditor, EY.

5. **Internal Audit Progress Report** (Pages 13 - 32)

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

That the Committee note the Internal Audit Progress Report (December 2020).

6. **Quarterly Review of the Corporate Risk Register** (Pages 33 - 44)

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 2020/21**
(Pages 45 - 52)

Report by the Director of Finance and Support Services.

The Committee is asked to review and comment on the Treasury Management Compliance Report.

8. **Annual Governance Statement Update** (Pages 53 - 58)

Report by the Director of Law and Assurance.

The Committee is asked to note the Annual Governance Statement Action Plan 2019-20.

9. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 8 March 2021.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

20 November 2020 – At a virtual meeting of the Regulation, Audit and Accounts Committee held at 10.30 am.

Present: Cllr N Dennis (Chairman)

Cllr Waight, Cllr Baldwin, Cllr J Dennis, Cllr Lea and Cllr Sparkes

Apologies were received from Cllr Bradford

Also in attendance: Cllr Hunt

Part I

19. Declarations of Interest

19.1 Cllr Sparkes declared a personal interest as the Executive Member for Resources at Worthing Borough Council where EY also provide external audit work.

19.2 Cllr Waight declared a personal interest as a Worthing Borough Council Member in relation to civil parking arrangements in the internal audit progress report.

20. Minutes of the last meeting of the Committee

20.1 Resolved – That the minutes of the meeting of the Committee held on 25 September 2020 be approved as a correct record and that they be signed by the Chairman.

21. External Audit

21.1 The Committee considered the Audit Results Reports for the West Sussex County Council and the West Sussex Pension Fund (copies appended to the signed minutes).

21.2 Mrs Thompson, EY, began by focussing on the West Sussex County Council report. Work was mostly complete and any outstanding items were noted in the executive summary. An opinion would be issued when the work was completed. EY were anticipating issuing an unqualified opinion on the financial statements which would include an emphasis of matter paragraph covering uncertainties based on the valuation report. The value for money conclusion was expected to have an except for qualification.

21.3 Simon Mathers, EY, explained that it had been a challenging year due to the impact of COVID-19 and passed on thanks to the County Council officers for their support with the audit. The risk of management override had been investigated with particular focus on the recording of expenditure and capital spend. EY were satisfied that there had not been any inappropriate usage. The risk for Plant, Property, and Equipment (PPE) valuation had been inherently high due to the impact COVID-19 had on market volatility. A caveat had been included from the external valuer which would be added as an emphasis of matter paragraph. EY were

happy with their testing of valuation processes and the approach taken by the County Council for cyclical valuations. There were also high inherent risks for County Council disclosures for going concern and events after the balance sheet date. The disclosures had undergone consultation and an emphasis of matter paragraph was not required. Cashflow mechanisms had been analysed with the results showing that good arrangements were in place. Work on officer remuneration disclosures had identified that recruitment and retention policies needed to be re-considered. An associated recommendation for improvement had been raised.

21.4 Mr Mathers spoke on Pension liabilities and how the statements had been adjusted for factors such as McCloud. There had been asset valuation changes which had led to a £7.9m change in asset values.

21.5 Mr Mathers spoke on the Audit Differences section of the report and explained that the final version would be updated for PPE.

21.6 Mr Mathers discussed the two risks raised for Value for Money (VFM) assessments and explained that the report was not expected to fully cover a plan for COVID-19. One risk concerned informed decision making linked to the inspections for Children's Services and the Fire Service. Good progress had been made, but the arrangements were not fully in place by the end of the year. This resulted in the 'except for' qualification of the VFM conclusion. The second risk related to sustainable resource deployment and considered whether the council would be able to continue to adapt its financial planning, monitoring and management arrangements to ensure it is able to continue to deploy the resources available to it sustainably over the medium term. EY concluded that adequate arrangements have been in place throughout 2019/20.

21.7 The Committee made comments including those that follow.

- Asked how property asset values should be represented if they have reduced in value since purchase. – *Mr Mathers confirmed that the report should reflect the current value of the asset.*
- Sought clarity on officer remunerations processes and policies. – *Mrs Thompson explained that the report was not commenting on specific posts. EY's work had identified areas where it had not been clear which policy was being applied and so improvements had been recommended.*
- Queried the concerns raised on PPE valuations and asked if other authorities were in the same position. – *Mr Mathers reported that COVID-19 had impacted market volatility and so generally speaking all authorities would be in a similar position. Mrs Thompson added that this was not a new risk, but the risk had been elevated to significant.*
- Queried if the document should be in the public domain. – *Mrs Thompson confirmed the document was fine to be in the public domain.*
- Sought clarity over capitalisation of salaries from revenue for transformation work. – *Mr Mathers explained that the scheme rules allowed the outlined use of capitalisation. Ms Eberhart, Director of Finance and Support Services, noted the concerns raised for the use of transformation funding and the impact this had on borrowing. It*

- was confirmed that the policy for this was approved as part of the budget and officers were working within approved practices.*
- *Questioned the value of the Horsham Enterprise Park. – Mr Mathers explained that the role of external audit was to ensure the statements met the current value of assets. Issues would only be provided on assets if there was a risk of material misstatement in the accounts.*
 - *Asked if the consultation on going concern was complete. – Mr Mathers confirmed that this was complete and the disclosures had been approved.*
 - *Queried when the procedures required by the National Audit Office (NAO) would be completed. – Mr Mathers confirmed that the target date for this was the beginning of December. An opinion would still be issued before this, but the audit could not formally close until this work was complete.*
 - *Questioned the length of time remaining for Private Finance Initiatives (PFI). – Mr McEwan, Finance Manager (Accounting Systems and Control), reported that the PFI disclosures in the accounts confirmed that the final scheme expired within a 16 to 20 year time frame.*
 - *Queried if some lease agreements were considered nonmaterial and excluded from the audit. – Mr Mathers explained EY were satisfied that the Council were recording lease arrangements correctly but that the ongoing work to ensure all lease arrangements were captured in the Council's lease register needed to continue.*
 - *Sought clarity over the implications of McCloud. – Mr Mathers confirmed that the liability for McCloud had previously been accounted for in 2018/19. Now there was more clarity on remedies, the actuary had updated the figures.*
 - *Sought more detail on how the use of reserves was greater than the average level of reasonable usage. – Mr Mathers explained that the data was based on submissions from all Councils. The comparison showed that the County Council's usage was greater than other Councils, but not yet in a position where EY would raise major concerns. Ms Eberhart added that the usage of reserves was monitored carefully and compared with other authorities.*
 - *Queried why the County Council's level of reserves were falling at a faster rate than others. – Mrs Thompson responded that it was a difficult area to compare as it was difficult to know how other authorities used their reserves. Reserves were held to be used when required, and the areas for Children's Services, Fire Service, and COVID-19 had required the use of reserves.*
 - *Asked if the review of the Medium Term Financial Statement included the County Council's Reset and Reboot plan. – Mrs Thompson explained that EY had not looked at the detail of the Reset and Reboot plan as the VFM conclusion was focused on 2019/20.*
 - *Queried the identified scale of weaknesses in social work practice. – Mrs Thompson explained that this risk was identified in response to the inspection work. A wider aspect of informed decision making had been taken into account and not all service areas had been looked into for weaknesses.*
 - *Sought clarity over the VFM section where improvements for the Fire Service are recognised. – Mr Mathers explained that the*

conclusion was an assessment of the corporate body. Mrs Thompson agreed to look at the positioning of the wording in the final version.

- *Queried the meaning of the VFM assessment. – Mrs Thompson explained that EY were required to assess whether proper arrangements were in place not whether the Council provides value for money. Mr Mathers added that consideration had been given to the link between savings targets and overspending.*
- *Sought clarity over the flexibility of audit fees. – Mrs Thompson expected an increase in fees following the changes recommended in the Redmond Review. EY had outlined the additional work that had been undertaken in the year. Discussions would take place with Public Sector Audit Appointments Limited (PSAA) if fee bases needed resetting.*
- *Queried the £5,000 going concern EY consultation requirements fee. – Mrs Thompson reported that this had been a consequence of COVID-19 and that the County Council was a large audit. All processes had been discussed with the Director of Finance and Support Services.*

21.8 Mr Mathers introduced the West Sussex Pension Fund report and explained there was an unqualified opinion. The risks that had been looked into concerned management override, property valuations and ongoing concerns. EY were satisfied that correct approaches had been taken and all disclosures were complete.

21.9 The Committee made comments including those that follow.

- *Queried if COVID-19 should have impacted the report if it covered the previous financial year. – Mr Mathers explained that COVID-19 had been a global issue within the given financial year and so there had been an impact on valuations. The going concern assessment would cover 12 months from November 2020.*
- *Asked if the fees had been confirmed. – Mrs Thompson explained that when the plan had been produced the fees were to be confirmed. Additional work had taken place concerning data quality.*

21.10 Resolved – That the Committee notes the Audit Results Reports for the West Sussex County Council and the West Sussex Pension Fund.

22. Financial Statements 2019/20

22.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

22.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that an adjustment of £13.8m was now reflected in the statements for the version that would be signed by the Chairman of the Committee and the Director of Finance and Support Services.

22.3 The Committee made comments including those that follow.

- Commented that the West Sussex County Council's vision section referred to the M25 and queried whether should be the M23.
- Questioned the statutory position for the repayment of debt. – *Mrs Chuter explained that this was the minimum revenue position within the management accounts which impacted the general fund but was not included within the statements.*
- Sought clarity over the recording of pension liabilities. – *Mr McEwan explained that the actuarial gain in the comprehensive income and expenditure statement could be reconciled with the remeasurements in the LPGS and Fire Pension assets and liabilities, which are primarily attributable to revised actuary assumptions.*
- Asked if pension liabilities reduce, does the release move to unusable reserves. – *Mr McEwan confirmed this was correct due to legislation which dictates that the amount charged to the taxpayer is linked to contribution rates set by the triennial pension fund valuations. The IAS19 adjustment to pension liabilities is mitigated via unusable reserves to ensure the general fund is not directly impacted.*
- Queried if the risks in the document were listed in order. – *Mrs Chuter confirmed that the risks were not in a particular order.*
- Sought clarity over the level of debt in the statements. – *Mr McEwan explained that not all of the liabilities on the balance sheet should be considered as repayable debt. In addition to Public Works Loan Board debt, short term trade creditors are classified as liabilities but form part of general cashflow management. PFI commitments are also classified as liabilities for balance sheet purposes, but will be written down through the payment of the unitary charge in accordance with contractual arrangements. Some capital grants and contributions are also classed as liabilities until used, however there was no expectation to repay them. Cllr Hunt, Cabinet Member for Finance, confirmed that the balance sheet showed £1.25bn assets were held which exceeded all recorded debts.*
- Queried the financial impact of COVID-19 and if an alternative solution would be to consider a long term repayment approach. – *Cllr Hunt explained the importance of focussing on the current timeframe. The Reset and Reboot plan included an economic recovery plan which had a four to five year approach. The plan should hold the County Council in good stead for the future.*

22.4 Resolved – That the Committee approves the Statement of Accounts for 2019/20 for West Sussex County Council and the West Sussex Pension Fund, for signing (electronically) by the Chairman of the Committee.

23. Annual Governance Statement 2019/20

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

23.2 Mr Gauntlett, Senior Advisor in Democratic Services, introduced the report and explained that the Committee had previously seen drafts of the statement and their comments had been taken on board for the current version. The statement was measured against CIPFA and SOLACE

guidance. There were some outstanding actions due to the impact of COVID-19 so any uncompleted actions would be rolled into the next plan.

23.3 Mr Kershaw, Director of Law and Assurance, confirmed that the statement was a backwards look that was supposed to close in April. Officers had however worked to bring elements of the document up to date.

23.4 The Committee made comments including those that follow.

- Welcomed the changes to the document following previous comments from the Committee.
- Queried the renewing of the West Sussex Plan and the Total Performance Monitor (TPM). – *Mr Kershaw explained that the report covered the actions taken with regard to the stability of the leadership team. The actions for the West Sussex Plan and TPM were in year measures. Once the reset plan is agreed, the impact for the TPM would be considered.*
- Sought clarity over the review undertaken for County Local Committees (CLC). – *Mr Kershaw explained that the report referred to a historic review undertaken in February. Currently CLCs had been suspended due to lockdown arrangements.*
- Queried the timeliness of the statement. – *Mr Kershaw explained that there was a degree of delay with the statement which had been increased this year. The Committee regularly reviewed drafts of the statement in order to maintain oversight. Mr Gauntlett confirmed that the action plan came to most meetings of the Committee which would be expected to continue.*
- Asked if there would be an attempt to get the statement back onto a normal schedule following the delay. – *Mr Kershaw explained that the statement traditionally aligned with the signing of the accounts, but there was no requirement for this. There could be opportunity next year to split the reports and have the statement meet the July deadline.*

23.5 Resolved – That the Committee recommend that the draft Statement and Action Plan be approved and proceed for the signatures of the Leader of the Council and the Chief Executive.

24. Treasury Management Compliance Report -Second Quarter 2020/21

24.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

24.2 Mrs Chuter introduced the report and informed the Committee that there had been no breaches for the quarter.

24.3 The Committee queried the investment in Croydon Council. – *Mrs Chuter confirmed that £10m was held and that the limit was £25m. There was no risk considered for this investment.*

24.4 Resolved – That the report be noted.

25. Internal Audit Progress Report

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

25.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and explained that catchup was still underway to make up for the loss of quarter one, however confidence was expressed that there was required capacity to meet commitments. There had been an increase in some management actions and a reduction of overdue actions. The Committee had previously commented on the lack of comments in the annex, which were now fully populated.

25.3 The Committee made comments including those that follow.

- Queried the approach to remote working and if it had changed the scope of any audit work. – *Mr Pitman explained that technology allowed the operating model to change which enabled audit work to continue. County Council officers were commended for how they had supported internal audit.*
- Sought clarity on the monthly reconciliation for outstanding Civil Parking Arrangement actions and if agency agreements were not being complied with by district and borough councils. – *Mr Pitman agreed to look into the matter and provide a response back to the Committee. The Committee asked that the Director of Law and Assurance should be included in the response to ensure that appropriate action could be taken if required.*
- Asked for details on the process for choosing which items were to be deferred. – *Mr Pitman explained that the process was fluid and that there was liaison with officers. The items needed to remain on the radar, but given the current circumstances it was appropriate to defer them.*
- Queried the revised due dates in the report. – *Mr Pitman reported that dates were changed by the service and that detailed narratives to explain the changes could be provided on request. The Committee could also request that service officers attend a meeting to talk to their actions and due dates. Additional detail could be added to future reports where lower level actions had significant changes to due dates. The Committee felt it would be appropriate to ask the Acting Head of IT to attend the next meeting to discuss the actions for Disaster Recovery Planning.*

25.4 Resolved – That the Committee note the Internal Audit Progress Report.

26. External Quality Assessment of Southern Internal Audit Partnership

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

26.2 Mr Pitman introduced the report which concerned the outcome of the recent external quality assessment of the Southern Internal Audit Partnership. The report was positive and showed conformity against all aspects.

26.3 The Committee made comments including those that follow.

- Praised the report which showed that good systems were in place and noted that improvements in Internal Audit had been observed.
- Queried Opportunity B in the report which concerned data analytics and asked if this would be progressed. – *Mr Pitman explained that data and strategy arrangements were set across the whole partnership and that the effectiveness of this would be considered across each organisation. There were elements that Mr Pitman was keen to drive forwards.*
- Sought comments on Opportunity A for the elapsed time on internal audit engagements. – *Mr Pitman explained that action plans for all organisations would be looked at to dissect any audit reviews that exceeded three months and understand the reasons. If delays were linked to the Partnership then mitigations would be worked on. If delays were from the client then conversations would be had to improve processes. This work was underway with actions looking to be proposed in the new year which could be presented to the Committee.*
- Raised Opportunity F for periodic planning and queried if churn within the organisation had impacted audit processes. – *Mr Pitman explained that speed of change had been increased due to COVID-19. The planning approach for each quarter included liaison meetings to assist with the audit work.*
- Asked if the Reset and Reboot plan was being considered. – *Mr Pitman confirmed that this was a significant part of the organisation and would sit high on audit plans. Recovery was an existing topic within the audit plan and it was expected that the Reset and Reboot plan would be considered within this.*

26.4 Resolved – That the Committee notes the External Quality Assessment Report.

27. Quarterly Review of the Corporate Risk Register

27.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

27.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and highlighted that risks 66 and 68 had reduced due to the mitigating actions that had been undertaken.

27.3 The Committee made comments including those that follow.

- Queried the Children's Trust (CR67) risk reducing to its tolerable level. – *Mr Pake reported that the risk had been mitigated down to a target level of 10 and resolved to provide details to the Committee on the actions that had led to this. Ms Eberhart confirmed that*

initiatives had been recognised in the risk register as part of the workforce programme.

- *Raised concerns that the current scoring system did not exceed a score of 25 and so a further increase in risk would not be recognised. – Mr Pake reported that the strategy and associated governance (i.e. assessment criteria, possible inclusion of direction of travel etc) would be reviewed in next year as part of the annual review and submitted to the Committee for consideration.*
- *Asked if the Risk Register was compared with other local authorities. – Mr Pake confirmed that he regularly meets with other authority risk managers to discuss concerns and horizon scanning activity. Authorities have different risks with different contexts so direct comparisons could not always be made, however it was a valuable process in providing assurance/assessment of the current risk profile. Service leads regularly engage with partners to discuss mutual concerns and mitigating actions.*

27.4 Resolved – That the Committee note the Corporate Risk Register.

28. Date of Next Meeting

28.1 The Committee noted that its next scheduled meeting would be held on 18 January 2021.

The meeting ended at 2.15 pm

Chairman

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Key decision: Not applicable
Unrestricted
Ref:

Report to Regulation Audit & Accounts Committee

Date 18 January 2021

Report title Internal Audit Progress Report (December 2020)

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

Summary

The purpose of this paper is to provide the Regulation Audit and 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.

Recommendations

- (1) That the Committee note the Internal Audit Progress Report (December 2020) as attached

Proposal

1 Background and context

1.1 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.

1.2 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 management actions)
- an update on progress against the annual audit plan:

Agenda Item 5

- 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.

1.3 Appendix A summarises the activities of internal audit for the period up to December 2020

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
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

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Appendices

Appendix A – Internal Audit Progress Report (December 2020)

Background papers

None

Internal Audit Progress Report (December 2020)

West Sussex County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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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

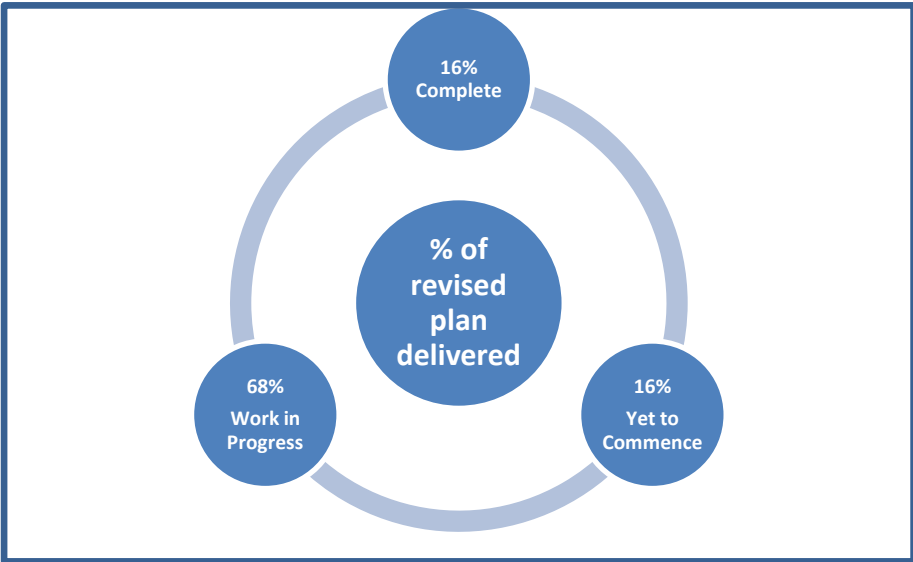
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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 system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable / Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Governance Compliance	Feb 2019	Corp	Limited	3	0	0	2		1	
Home to School Transport	Mar 2019	DH&T	Limited	4	0	0	3	1		
Special Guardianship Orders	May 2019	DC&FS	Limited	24	0	0	22		2	
E-Income	Jun 2019	F&SS	Adequate	1	0	0	0	1		
Payroll and Employment Administration	July 2019	HR&OD	Adequate	10	0	0	9	1		
MSS	July 2019	Corp	Adequate	1	0	0	0	1		
Retained Firefighters	Sep 2019	CFO	Adequate	12	0	0	11		1	
Intentionally Homeless – Financial Control	Dec 2019	DC&FS	Limited	11	0	0	10			1
Application Review - Mosaic	Dec 2019	F&SS	Adequate	2	0	0	1		1	
External Placements	Jan 2020	DC&FS	Limited	5	0	0	4			1
Civil Parking Arrangements	Jan 2020	DH&T	Adequate	9	0	0	4		1	4
Document Management & Retention	May 2020	DC	Adequate	8	0	0	5		3	
Accounts Payable	May 2020	F&SS	Adequate	4	0	0	0		4	
Quality Assurance Framework	Jun 2020	DASS	Limited	9	0	1	5		2	1
Fraud Proactive – Purchasing Cards	Aug 2020	F&SS	Limited	7	0	0	6		1	
Capital Programme Governance	Aug 2020	DP&A	Adequate	2	0	0	1	1		
Travel Portal	Sep 2020	F&SS	Adequate	7	0	0	6	1		
Highways Asset Protection	Sep 2020	DH&T	Adequate	6	0	0	5		1	
Companies House – NFI (Proactive Fraud)	Sep 2020	L&A	Limited	9	0	3	3		3	
Investment Plan (CS)	Oct 2020	DC&FS	Adequate	6	0	1	3	2		
Special Educational Needs	Oct 2020	DC&FS	Limited	6	0	3	3			
Procurement	Oct 2020	F&SS	Adequate	3	0	1	2			
Crawley Schools PFI report	Dec 2020	DP&A	Adequate	4	0	4	0			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Employers Contributions / Relationships	Dec 2020	F&SS	Reasonable	8	0	7	1			
Total								8	20	7

Overdue Management Actions - Direction of travel since November 2020 progress report	+3	-3	-9
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Audit Sponsor	
Chief Executive Chief Fire Officer (CFO) Director of Human Resources and Organisational Development (HR&OD)	Executive Director Place Services Director of Highways and Transport (DH&T) Director of Environment and Public Protection (DE&PP) Director of Property and Assets (DP&A) Director of Communities (DC)
Executive Director, Adults & Health and Statutory DASS (DASS)	Executive Director Resource Services Director of Law and Assurance (DL&A) Director of Finance and Support Services (DF&SS)
Executive Director of Children, Young People and Learning Director of Children and Family Services (DC&FS) Director of Education and Skills (DE&S)	

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

There have been no new reports published concluding a “limited” assurance opinion, since our last progress report.

6. Planning & Resourcing

The internal audit plan for 2020-21 was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in July 2020.

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

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Dual Use Agreements	P&A	✓	✓	✓	Apr 20			
Governance – COVID	Corporate	✓	✓					Q3
Health and Safety / Staff Welfare / Wellbeing / Performance Management	Corporate	✓	✓	✓				Q2
Market Underwriting / Contract Management – Supply chain	Corporate	✓	✓	✓	Dec 20			Q2
Emergency Planning / Business Continuity / Service resilience	Corporate	✓	✓	✓				Q2
Central Government Grants (allocation)	Corporate	✓	✓	✓				Q2
PPE Cell	Corporate	✓	✓	✓	Jul 20	Sep 20	Reasonable	
Recovery	Corporate							Q4
Health and Safety	DHR&OD	✓						Q4
Corporate Governance	DL&A							Q3
Corporate Projects Support	Corporate	✓						Q1-4
Risk Management	DFSS	✓	✓	✓				Q2
Annual Governance Statement	DL&A	n/a	n/a	n/a	n/a	n/a	n/a	
Procurement (sub £100k)	DFSS	✓	✓	✓				Q3
Financial Resilience	DFSS	✓						Q4

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Debt Recovery / Write off	DFSS / DL&A	✓	✓	✓	Dec 20			Q3
Grant Returns	DFSS	n/a	n/a	✓	n/a	n/a	n/a	5 completed to date
Pensions (Employer Contributions & relationships)	DFSS	✓	✓	✓	Nov 20	Dec 20	Reasonable	
Follow up of Limited Opinion IT Audits	DFSS	✓	✓	✓	Sep 20	Oct 20	n/a	
Cyber Security	DFSS							Q4
Cloud Service Provisioning	DFSS	✓						Q3
Endpoint & Peripheral Provisioning	DFSS							Q4
Email & Document Management	DFSS	✓						Q3
Highways Statutory Inspections	DHT&P	✓	✓	✓				Q3
Ash Dieback	DHT&P	✓	✓	✓				Q3
Home to School Transport	DHT&P	✓						Q4
Climate Change Strategy	DE&PP	✓						Q4
Children, Young People and Learning Transformation Programme (Governance)	EDCYP&L	✓	✓					Q2
Children, Young People and Learning Transformation Programme (Workstreams)	EDCYP&L							Q4
Special Guardianship Allowances	EDCYP&L	✓	✓	✓	Oct 20	Oct 20	Reasonable	
Children's – P-Cards	EDCYP&L	✓	✓	✓				Q2
School Thematic Review(s)	EDCYP&L	✓						Q4
Children Safeguarding (QAF)	EDCYP&L	✓	✓					Q3
SFVS	EDCYP&L	✓	✓	✓	n/a	n/a	n/a	Q1 & Q4
School Traded Services	EDCYP&L	✓	✓	✓				Q3
Think Family	EDCYP&L	✓	✓	✓	n/a	n/a	n/a	
Approved Mental Health Professionals (AMHPs)	EDA&H	✓						Q4
S75 Mental Health	EDA&H	✓						Q4

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Establishment Thematic Review(s)	EDA&H	✓	✓	✓				Q3
Data Quality (Adults)	EDA&H	✓						Q4
Adults Safeguarding Post COVID19	EDA&H	✓						Q3
S75 Governance	JSDC	✓	✓					Q3
Multi-Disciplinary Consultant (Contract)	DP&A	✓	✓					Q3
Management of restructures	DHR&OD	✓	✓	✓	Nov 20			Q2
Recruitment of Interims	DHR&OD	✓	✓	✓	Sep 20	Oct 20	Reasonable	
Health and Safety - FRS	CFO	✓	✓					Q3
Safe and Well Visits	CFO	✓	✓					Q3
Programme Management Office	CFO	✓						Q4
Grey Book Contracts	CFO	✓						Q4
Contract Management (Grasstex)	DFSS							Q4
SEND (Special Educational Needs)	EDCYP&L							
Data Quality (Children’s)	EDCYP&L							
Self Help in Schools	DP&A	✓						Q4
Compliance with HR requirements	DHR&OC							
IR35	DHR&OC	✓						Q4
<p>Reviews remain within the plan for completion during 20/21, however have been identified as those with greatest potential to defer to Q1 21/22 or have other sources of assurance contributing to the overall framework of governance, risk, and control.</p>								

8. Adjustments to the Internal Audit Plan (Since Last Progress Report)

Audit reviews removed from the plan (since last progress report)	
Adults Development Plan	Defer to 21/22. Departmental pressures due to COVID 19
School Reviews	Restrictions of visits due to COVID19
Adult Commissioning	Defer to 21/22. Departmental pressures due to COVID 19
Premises Risk Management	Implementing the PRM process in January to April 2021 utilising new software system and App, go live in April 2021. Move into Q2/3 next year with audit in time for the next HMICFRS.
Retained Duty System	Service implementing changes following their HMI inspection and are aware of issues

Audit reviews added to the plan (since last progress report)	
S75 Mental Health	Scoped as a separate review (formerly part of the AMHPs audit)

Overdue ‘High Priority’ Management Actions

Quality Assurance Framework - Limited

Observation: There is a documented Quality Assurance Framework in place within Adults Services. This was created in 2013 and was last reviewed in October 2019.

This review of the framework was completed in isolation to the review of the new Safeguarding Adults Board Quality Assurance Framework (published in November 2019), and therefore this missed the opportunity to bring the two assurance documents in line with each other. The Author of the QAF does not report into the Head of Safeguarding and Quality.

Observation: Whilst there is a mechanism for feeding back learning from the QAF, the Framework does not identify how the authority will verify that this learning has been embedded within Adult’s services and therefore is not closing the loop in the assurance process, providing a continuous process

In comparison the WSSAB QAF identifies that a learning and review framework will be in place to enable lessons to be learnt and where there have been poor outcomes to ensure that lessons learned are applied in practice.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Align the QAF with the Safeguarding QAF and where possible children QAF: Including identifying learning and changes in practice to be tested / evidenced based (embedding best practice)	31.07.2020	31.01.2021	A revised draft QAF is to be presented and discussed along with quality at the new performance board chaired by the Executive Director of Adults and Health (DASS). The meeting is to take place on the 13 th January 2021. Once these details have been agreed and finalised the revised QAF will be formally launched.

External Placements - Limited			
Observation: There were no commissioning strategies in place for either Adults or Children’s services. An effective commissioning strategy should help identify need, allocate resources and procure provider(s) to meet service need within available means.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Produce and publish the adults commissioning strategy aligned to the Adult Social Care Vision and Strategy 2019 – 2021. Finalise the draft Older People Market Position Statement.	31.01.20	30.11.20	The service has Market Position Statements for Lifelong Services issued November 2019 and Older People, this is currently in draft and the intention is to publish this alongside the Commissioning Strategy. Children Services have provided their Children and Young People’s Sufficiency Strategy which runs to 2021.

Intentionally Homeless - Limited			
Observation: Housing Plans, stating/agreeing the scope of West Sussex County Council’s financial responsibility for an Intentionally Homeless Family are not routinely used by Social Workers when assessing families. This would give clear instruction to the Accommodation Team of what is required.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Following development of a model create practice standards for Children’s Social Care and Accommodation Team for IH families.	31.03.2020	31.01.2021	Required S17 policy sign off to inform the practice standards and the processes. S17 guidance has been signed off. Next action is for the completion of the IH practice guidance which is in progress.

Civil Parking Arrangements - Adequate

Observation: The signed agency agreements with the districts/boroughs require a monthly reconciliation of income and expenditure for the on-street parking account and the Joint Enforcement Account. The agreements state that the reconciliations should be forwarded to the County Council each month with supporting documentation so that the council can understand the figures in the reconciliation.

Discussions with four district and borough Parking Managers confirmed that although monthly statistical information for on and off-street parking and enforcement is sent, formal reconciliations of income and expenditure are not. One of the councils sends a quarterly reconciliation to the County Council, but the remaining councils only do this at year end.

Additionally, no supporting information other than the statistical reports has been sent to the County Council as required by the agency agreements.

The County Council has not enforced the requirement for monthly reconciliations, nor requested further supporting documentation.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
To raise the reconciliation issues with each DC/BC's, vary the Agency Agreements and get agreement to the variations from the DC/BC's	31.01.2020	01.04.2021	Quarterly Financial Reconciliations – were intended to go alongside the reports but some of the DCs/BCs have stated that they do not wish to change the financial arrangements we have with them mid-way through the financial year. Therefore, appropriate to start in April 2021. Some DCs/BCs did also state that they would not recognise the new arrangements until the Agency Agreements had been signed as they do impact upon their end of year income.
Supporting information (i.e. CPE Reports) will be confirmed with each DC/BC as well as the IT supplier with the first quarterly reports to follow by Spring 2020.	31.03.2020	31.12.2020	Quarterly Reports – The template for the new quarterly reports has been largely completed and some authorities are starting to send through draft versions. The expectation is that all authorities be able to submit reports for Q3 (Oct – Dec) Therefore target December as a completion date for these reports. These reports will also include compliance surveys.

The Agency Agreements have been re-drafted to ensure consistency and understanding and updated policy	31.01.2020	01.04.2021	In the final stages of drafting the variations to each Agency Agreement and resource in Legal Services have been made available to assist. Plan to have the Agreements completed (including being signed off by each DC/BC) by the end of December but the actions arising from the variations would not become effective until April 2021. (revised date for completion.)
<p>Observation: The agency agreements require the districts and boroughs to provide WSCC with monthly statistical reports providing a variety of detailed information which is used by the Parking Strategy Team Manager at WSCC for financial modelling purposes. Although we found there were detailed reports being sent from three of the districts/boroughs tested, we were informed by WSCC staff that one of the councils had not sent any reports to them since June 2018.</p>			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Supporting information (i.e. CPE Reports) will be confirmed with each DC/BC within this same period with the first quarterly reports to follow in Spring 2020. I am currently awaiting confirmation from the IT supplier that they can provide the necessary information.	31.03.2020	31.12.2020	Reports were expected to go live from July 1st, 2020 with the first report expected October. The go live for all reports should now be December.

Overdue ‘Low & Medium Priority’ Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revise Due Date
Governance Compliance	Feb 2019	Limited	Medium	30.09.19	31.12.20
Home to School Transport	Mar 2019	Limited	Low	30.04.20	30.11.20
Special Guardianship Orders	May 2019	Limited	Medium	31.07.19	30.09.20
			Medium	30.09.19	30.09.20
E-Income	June 2019	Adequate	Low	31.12.19	31.04.21
Payroll and Employment Administration	July 2019	Adequate	Low	31.07.19	31.12.20
MSS	July 2019	Adequate	Low	31.07.19	31.03.21
Retained Firefighters	Sept 2019	Adequate	Medium	31.10.19	30.09.20
Application Review - Mosaic	Dec 2019	Adequate	Medium	31.01.20	31.01.21
Civil Parking Arrangements	Jan 2020	Adequate	Medium	31.01.20	01.04.21
Document Management & Retention	May 2020	Adequate	Medium	31.07.20	31.01.21
			Medium	31.07.20	30.06.21
			Medium	30.09.20	31.01.21
Accounts Payable	May 2020	Adequate	Medium	31.07.20	31.10.20
			Medium	31.07.20	31.10.20
			Medium	31.07.20	31.10.20
			Medium	31.07.20	31.10.20
Information Governance – Document Management and Retention	May 2020	Adequate	Medium	31.07.20	31.01.21
			Medium	31.07.20	30.06.21
			Medium	30.09.20	31.01.21
Quality Assurance Framework (Safeguarding)	Jun 2020	Limited	Medium	31.05.20	31.10.20
			Medium	31.08.20	31.03.21
Fraud Proactive – Purchasing Cards	Aug 2020	Limited	Medium	31.01.20	31.10.20
Capital Programme Governance	Aug 2020	Adequate	Low	30.06.20	28.02.21
Travel Portal	Sep 2020	Adequate	Low	31.05.20	30.11.20
Highways Assets (Recoverable)	Sep 2020	Adequate	Medium	01.07.20	01.11.20
Investment Plan (CS)	Oct 2020	Adequate	Low	30.11.20	TBC
			Low	30.11.20	TBC

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**Key decision: Not applicable
Unrestricted**

Report to Regulation, Audit and Accounts Committee

18 January 2021

Quarterly Review of the Corporate Risk Register

Report by Director of Finance and Support Services

Summary

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

Risks of a 'no-deal' Brexit, failing to realise the benefits of transformation and the requirement to set up a children's trust have all been removed from the corporate risk register; the latter will be continuously monitored and regularly reported to Executive Leadership Team (ELT). Risks relating to the financial sustainability of the council, West Sussex Fire and Rescue Service (FRS) failing to show sufficient improvement, and the provision of children's services have all reduced in significance due to the effectiveness of mitigating actions. Corporate COVID-19 risks relating to the impact on service plans and capacity for strategic focus/direction have increased in severity.

Risk Management Lunch 'n' Learn sessions continue to be delivered as a webinar and has now been made available for staff in Districts and Boroughs. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the County Council's risk management process using a generic scenario. A one-page process summary/guide has been produced to assist staff as an interim measure.

Recommendations

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

Quarterly update

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

- Corporate risk #1 – No deal Brexit
 - Removed from Corporate Risk Register
 - Recent deal removes this as a concern
 - Services to continue to manage any ramifications of the Brexit deal as BAU through Business Continuity Plans and directorate risk registers
- Corporate risk #22 - Financial sustainability of council services
 - Severity decreased from 25 to 16
 - Due to successful lobbying of government groups and the securing of funds
- Corporate risk #59 - Benefits from transformation are not realised
 - Removed from corporate risk register
 - Due to cessation of Transformation Programme
 - Transformation is now being managed by respective services
- Corporate risk #60 - HMIC FRS improvement plan
 - Severity decreased from 15 to 10, and tolerated
 - To reflect progress and HMIC feedback
 - De-escalated to FRS risk register and regularly monitored
- Corporate risk #67 – Setting up Children’s Trust diverts council resources
 - Removed from corporate risk register
 - Due to positive feedback on progress, and the announcement to defer judgement for at least a year.
 - Risk not considered a current concern, however the programme will be continuously monitored and reported to ELT
- Corporate risk #68 – Services will fail to deliver existing work plans due to COVID-19 response
 - Severity increased from 20 to 25
 - To reflect movement into tier 5 and the subsequent strain on services and staff
- Corporate risk #69 - Children’s services will fail to deliver an acceptable provision to the community
 - Severity decreased from 25 to 20
 - To reflect progress of Children First Improvement Plan and recent Children’s Trust judgement
- Corporate risk #70 - Lack of capacity to deal with strategic/organisational issues due to COVID-19 response
 - Severity increased from 12 to 16
 - Due to current and future ramifications of the imposed lockdown

2.2 The following table summarises risks on the corporate risk register with the current severity graded above the tolerance threshold:

Risk No	Risk	Score - Prev Qtr	Score
CR39a	Cyber-security	25	25
CR58	Failure of social care provisions	25	25
CR68	Services will fail to deliver existing work plans due to COVID-19 response	15	25

Risk No	Risk	Score - Prev Qtr	Score
CR69	Children's services will fail to deliver an acceptable provision to the community	25	20
CR11	Recruit and retain staff	16	16
CR22	Financial sustainability	25	16
CR50	Insufficient health & safety governance	16	16
CR70	Lack of capacity to deal with strategic and organisational issues	12	16
CR71	Mental and physical wellbeing of WSCC staff due to working from home	16	16

- 2.3 The corporate risk register continues to be reviewed at least monthly by ELT, with any actions promptly addressed.
- 2.4 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager. The Corporate Risk Manager has continued to engage monthly with Executive Directorate teams to discuss corporate and other directorate/service risks, and risk governance.
- 2.5 Operational COVID-19 risks are considered and managed within the services, either through the production of new risks or applying the ramifications to an existing risk and its assessment. In addition, corporate COVID-19 risks are captured and controlled by the councils COVID-19 response team. The Corporate Risk Manager presents a summary of risks by themes and workstreams to ELT monthly for consideration. The table below summarises the key corporate COVID-19 risks.

Risk
Staff Shortage in Adults Services for older people's visits
Community Hubs may not have enough staff capacity to manage an increase in demand, resulting in a failure to deliver essential food and medicine to vulnerable people
Providers are increasingly unwilling to accept new placements which may cause a reduction in external placements and in-house foster care arrangements. This will lead to children not being looked after, becoming more vulnerable and at risk of harm
Care homes are struggling to maintain an economically sustainable number of residents when experiencing deaths due to COVID-19 (>50% occupancy required). This lack of revenue creates a risk of care home closures which would then require financial intervention by WSCC to prevent this from occurring

- 2.6 Capital Programme risks are reported through their respective programme board. There is ELT representation on 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 provide support to projects and programmes, and their risk registers.

- 2.7 The Risk Management Lunch 'n' Learn sessions will continue to be delivered as a webinar and the course content has been amended to facilitate this delivery method. This course has now been made available for staff in Districts and Boroughs. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario. Due to current restrictions impacting the delivery of this method of training, the Corporate Risk Manager has produced a one-page process summary/guide to assist staff as an interim measure.
- 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:
- Attendance at TMG (chairing when requested) and New Ways of Working group
 - Review of SRF risks against TMG 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
 - Attendance at/facilitating various internal boards/meetings and working groups
- 2.10 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 or during lunchtimes where possible to mitigate resource and scheduling conflicts. However, the '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.
- 2.11 The committee is asked to consider the Corporate Risk Register and provide comment as necessary.

3 Risk implications and mitigations

- 3.1 The subject of the report is the corporate risk register. 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.

4 Policy alignment and compliance

- 4.1 Equality duty and human rights assessment. 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.

Katharine Eberhart

Director of Finance and Support Services

Appendices

Appendix 1 - Corporate Risk Register

Background papers

None

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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				
CR68	The government have placed West Sussex in tier 5 of the current lockdown system, meaning only essential businesses are allowed to open. If the number of positive cases were to increase and further local (county or district) restrictions imposed as a result, there is a risk services will fail to deliver existing work plans due to staff responding to the impact of the pandemic, or staff shortages due to sickness.	Chief Executive	1. Failing to deliver statutory duties.	Mar-20	5	5	25	Treat	5	2	10	Review and update business continuity and service critical plans.	CLT	ongoing	Business continuity plans periodically reviewed. To date there is sufficient resource to deal with challenges.	5	5	25	Apr-21			
			2. Negative reputational impact.									Regular engagement with MHCLG and ensure information and direction is discussed and implemented through the Strategic Coordinating Group (SCG-Gold) and Tactical Coordination Group (TCG-Silver).								Chief Executive	ongoing	Outcomes to inform Tactical Management Group (TMG), Strategic Management Group (SMG), and Local Health Resilience Partnership (LARP) for action/info.
			3. Residents don't receive support required.									Develop communications when required to manage expectations of staff and residents on WSCC response position.								Head of Communications	ongoing	Collaboration and agreement on services provision messages with directorates and ELT through current COVID-19 mechanisms (TMG and SMG).
			4. Insufficient budget/budget exceeded.									To continue to lobby government groups to influence funding decisions.								Chief Executive	Ongoing	Sufficient funding received to date to deal with the cost.
			5. Increase risk to life.									IA to conduct review of lessons learned from 1st wave and communicate.								Director of Finance & Support Services	Feb-21	Internal Audit have commenced the review.
			6. Information not shared appropriately.									Services to consider impacts should government impose restrictions (via tier system) at a district level as opposed to county.								CLT	ongoing	To be captured in business continuity plans.
CR70	There is an increasing demand placed on the senior officers due to the ongoing threat of COVID19 and additional burdens due to devolved responsibilities. This may lead to a continued lack of capacity to deal with strategic/organisational issues , leading to poor decision making.	Chief Executive	1. Outcomes for residents not delivered	Aug-20	4	3	12	Tolerate	4	3	12	Continue to monitor service resource impact.	ELT	ongoing	Concerns raised through ELT	4	4	16	Apr-21			
			2. Residents don't receive support needed.									Provision of support to services when required.								SMG	ongoing	Support requests raised through TMG and escalated to SMG if required.
			3. Failing to deliver statutory duties																			
CR71	As part of the 'new normal' WSCC staff will be expected to continue to work from home (current exceptions being areas of critical business that cannot function in this way and staff unable to work in a safe environment at home). This may adversely effect the mental and physical wellbeing (and emotional resilience) of staff which will lead to an increase in absences and poor service delivery to residents.	Director of Human Resources & Org Dev	1. Increase in poor physical health of staff.	Aug-20	4	4	16	Treat	4	2	8	Mental health training and support (particularly for managers).	Health and Safety Manager	ongoing	Stress Management Corporate Guidance and Employee Assistance Program.	4	4	16	Feb-21			
			2. Increase in poor mental health of staff.									DSE assessments carried out and regularly reviewed.								Health and Safety Manager	ongoing	Directorates responsible for completion of staff assessments.
			3. Increase in staff absence.									Appropriate comms to ensure officers are equipped to support staff.								Health and Safety Manager	ongoing	HSW messages being published regularly via One Voice.
			4. Poor service delivery to residents.																			
			5. Increase in number of claims and premiums.																			

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	
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	Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Director of Law & Assurance	Ongoing	Further draft AGS to July RAAC (endorsed in Mar)	4	3	12	Feb-21
			2. Service improvement effort impeded.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.	Director of Law & Assurance	Ongoing	Discussed as part of Audit planning. Audit plan settled				
			3. Resources misapplied - poor VFM.									Audit plan focussing reviews on key corporate support systems to identify key areas in need of improvement.	Director of Law & Assurance	Ongoing	Discussed as part of Audit planning. Awaiting activity as per audit plan				
			4. Complaints and claims.																
			5. Censure by external inspection.																
CR11	Due to recent reports into service operations and senior leadership instability, there is a risk that the Council will not be seen as an attractive place to work by current and potential employees. This will result in problems recruiting and retaining staff in key skills areas.	Director of Human Resources & Org Dev	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	3	12	Provision of clear financial support for recruitment and retention policy and provisions procedures.	Head of Specialist HR Services	Dec-20	Partially Completed. Social workers recruitment and retention package in place for 2019. 2020 offer currently under review. Corporate relocation package drafted and being prepared for ELT sign off. Sustainable Social Worker Pay Model signed off by ELT Aug 2020.	4	4	16	Feb-21
			2. Lack of corporate memory.									Application of policy and provisions for various hard to fill posts.	Head of HR Bus Ptr & Org Dev	Ongoing	Use of R&R package to recruit children's social workers. Relocation support for hard to fill roles awaiting sign off by ELT. Use of apprenticeships to build talent pipelines e.g. social worker, occupational therapist, management programmes.				
			3. Inadequate pace/speed of delivery.									Produce Directorate Workforce Strategies to identify skills, capacity and capability requirements.	Head of HR Bus Ptr & Org Dev	Jan-21	Reward & Retention package for Children's Social Workers currently being re-written. Development of Workforce Plan being carried out as part of Children First Improvement Plan.				
			4. Low staff morale and performance.									Development of comprehensive employee value proposition.	Head of Res Org Dev & Talent	Jan-21	Part of People Framework Action Plan				
												Longer term strategies for addressing recruitment issues e.g. apprenticeships, growing our own.	Head of Res Org Dev & Talent	Ongoing	3 year plans in place for apprenticeships (currently being refreshed). 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 COVID-19 crisis, and 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	Savings are being developed as part of the budget process for 2021/22. Balanced budget being proposed for Feb 21 although ongoing pressures for future years expected.	4	4	16	Feb-21			
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.								Director of Finance & Support Services	Ongoing	The utilisation of grant received from government in response to Covid-19 is reported through the Quarterly Performance Management report (QPM). Currently receiving sufficient grant from Government to cover costs.
			3. Reputational impact through reduction of service quality									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the TMP and MTFS as appropriate.								Director of Finance & Support Services	ongoing	The QPM report now reflects the impact of Covid-19 and sets out how this impacts specific services and WSCC as a whole. This is underpinned by a bespoke recording approach within SAP, which clearly accounts for the costs incurred and funding received from Government, alongside the Delta return made to MHCLG on a monthly basis. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressures perspectives.
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.									Financial implications will be monitored and reported separately. Government has provided additional funding to support the local response.								Director of Finance & Support Services	ongoing	
			5. Additional unexpected service and cost pressures from savings decisions.																			
			6. Financial implications for both 2020/21 and the medium term arising from the national emergency circumstances associated with Covid-19.																			
CR39a	As a result of staff accessing unsafe links from external sources and unauthorised/insecure website browsing, the Council's systems will be subjected 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. New awareness campaign being developed. Vendor identified and commissioned to provide services to counter cyber threat.	5	5	25	Feb-21			
			2. The Council's reputation is damaged.									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. PSN connection to be reprocurd.
			3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)								Head of IT	Ongoing	2020 health check to be commissioned.
			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).
												Transition to a controlled framework for process and practice.								Head of IT	Ongoing	Review of ISO27001 and ISO9001 to determine appropriateness.

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	Data protection responsibilities. 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	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of IT	Ongoing	To be conducted annually	3	3	9	Feb-21			
			2. The Council's reputation is damaged.									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.
			3. Resident's trust in the Council is undermined.									Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change and carry out resulting actions.								Director of Law & Assurance	Ongoing	Processes settled. Most impact assessments completed. DPIA to be conducted annually.
			4. Partners will not share data or information with the Council.									Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.								Head of IT	Ongoing	As part of GDPR reviews of existing arrangements.
			5. Punitive penalties are made on the Council.									Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.								Head of Data Protection	Ongoing	
												Adopt ISO27001 (Information Security Management) aligned process & practices.								Head of IT	Ongoing	
												Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.								Director of Law & Assurance	Ongoing	IT to identify applicable systems and provide support in resolving any risks of non-compliance.
CR50	WSCC are responsible for ensuring the HS&W of its staff and residents. There is a risk that if there is a lack of H&S awareness and accountability by directorates to capture and communicate in accordance with Council governance arrangements, it will lead to a serious health & safety incident occurring.	Director of Human Resources & Org Dev	1. Increase risk of harm to employees, public and contractors.	Mar-17	4	5	20	Treat	4	2	8	Purchase, develop and introduce an interactive online H&S service led audit tool.	Health and Safety Manager	ongoing	Current inspection template to be created in Firmstep.	4	4	16	Feb-21			
			2. Increase number of claims and premiums.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.								Health and Safety Manager	ongoing	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. Modules for induction & asbestos awareness now live.
			3. Adverse reputational impact to Council.									Incorporate HS&W information into current performance dashboard.								Health and Safety Manager	ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents.
			4. Increase in staff absence.									Regular engagement with other LA's on best practice and lessons learned.								Health and Safety Manager	Ongoing	
												Develop and introduce a more comprehensive risk profile approach and front line service based audits.								Health and Safety Manager	Ongoing	

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	Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.	Head of Contracts & Performance	ongoing	Due to the implications of COVID19 and service resource constraints, the ability to conduct face to face quality assurance checks has reduced. There is now an increased focus on supporting/improving infection control and closer working with the CCG to ensure the right level of support to care homes is delivered.	5	5	25	Feb-21			
			2. CQC action against service provider which could lead to establishment closure at short notice									Provision of regular support and communication to care homes to monitor financial sustainability during COVID-19 pandemic.								Head of Adult Operations	ongoing	Regular communication (with a COVID19 focus) with care homes to identify risk areas early. Monitoring of deaths and Covid outbreaks in care homes. This action is reviewed and discussed weekly at WSCC COVID-19 TMG.
			3. Financial implication of cost of reprovision following closure of services.									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. Commissioning of sustainability blocks to deliver a level of financial stability.
			4. Reduced capacity in the market as a result of failure of provision.									In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.								Head of Adult Operations	ongoing	Emergency plans in place for residential services and Domiciliary Care provision. Continue to work with RET to ensure process is robust and reflects learning from incidences.
			5. Delayed Transfer of Care (DTC)									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	Number of people awaiting care is captured within daily performance management information which provides an indication on capacity, whilst wider updates on the action plan are paused during COVID19 in light of other priorities.
			6. Non-compliance with Care Act.																			
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.																			
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). Improvement Plans include management development and HCC intervention.	Executive Director of Children, Young People and Learning	Ongoing	Improvement activity has been embedded within the social work teams. A Leadership programme commissioned to deliver more consistent management oversight. The statutory performance around visiting and plans has improved and has been reported to the Improvement Board. Phase 1 of improvement work with HCC as our improvement partner has been completed which provides added assurance to the quality of work within the service.	5	3	15	Feb-21			
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.								Executive Director of Children, Young People and Learning	ongoing	We commissioned and implemented dedicated improvement resource to be embedded and work with the social work teams. This has resulted in revised and improved practice guidance, policy and practice. Areas of further development have been identified and form a focus for the next phase of the improvement work.
			3. Immediate inspection and Government intervention.																			

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	
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	Completion of improvement plan scoping phase.	Chief Executive	Jan-21	(See CR7)	4	3	12	Feb-21
			2. External intervention									Develop plan to stabilise senior leadership team.	Chief Executive	Jan-21	Identifying actions to reduce risk of senior leadership churn.				
			3. Poor value for money									Engage with external partners (including LGA) to scope and deliver Leadership development for Cabinet and Senior Officers.	Director of Law & Assurance	Jan-21	Scoping completed. Member Development Plan approved by Governance Committee Jun 20. Some activity already delivered.				
												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) and the increase in demand due to COVID-19, there is a risk that the Council will not carry out their statutory role under the Mental Health Act 1983 (amended 2007) due to being unable to meet the demand for mental health assessments.	Executive Director of Adults and Health	1. Increased risk of death or serious injury.	Jan-20	5	5	25	Treat	5	2	10	Development and implementation of new AMHP model (in partnership with the CCG and Sussex Partnership Foundation Trust (SPFT)).	Head of Adult Operations	Jan-21	Mental Health specific Transformation Plan has been developed which incorporates AMHP service re-design. Dedicated Programme Manager in post. Progressing through governance process. New structure for AMHP service (Hub and Spoke model) developed and operational budget approved. Proposed to implement from 1st Jan 21.	5	3	15	Feb-21
			2. WSCC subjected to legal action on behalf of customer or through employment tribunal.									Recruitment of AMHP's to support with current demand.	Head of Adult Operations	ongoing	Funding agreed to enable interim recruitment of AMHP's until end-Dec 20.				
			3. Wider impact on health and social care system through delays in carrying out assessments.																
CR69	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that children’s services will fail to deliver an acceptable provision to the community.	Executive Director of Children, Young People and Learning	1. A child is exposed to dangers which could cause harm.	Mar-20	5	5	25	Treat	5	3	15	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing	The Children First Improvement Plan has been developed to incorporate three key pillars to ensure an improved level of service: Pillar 1 - Everyone knows 'what good looks like'; Pillar 2: Creating the right environment for good social work to flourish; Pillar 3 : Deliver an Improved Service Model. Monthly reports to Improvement Board.	5	4	20	May-21
			2. Significant reputational damage.									Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.	Executive Director of Children, Young People and Learning	ongoing	Joint work between WSCC and HCC has resulted in the development of a comprehensive phase 2 workstream improvement action plan. Regular steering group to track and monitor progress and report into the into Improvement Board.				
			3. Reduced confidence by residents in the Councils ability to run children's services.									Implement the Children First Service transformation model	Children First Transformation Director	ongoing	Family Safeguarding model redesign being developed to ensure practice improvements are sustainable and embedded to provide a good level of service.				
			4. Legal implications through non-compliance or negligence.																

**Key decision: Not applicable
Unrestricted**

Report to Regulation, Audit and Accounts Committee

18 January 2021

Treasury Management Compliance Report – Third Quarter 2020/21

Director of Finance and Support Services

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 2020/21 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.

Recommendation

The Committee is asked to review and comment on the Treasury Management Compliance Report.

Proposal

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 2020/21 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, no counterparty that the Council held investments with during the quarter was negatively impacted by credit rating updates as 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 2020 the Council’s Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £474.8m (£478.3m at 30 September 2020). During the third quarter of 2020/21:

- (a) No new external borrowing for capital purposes was undertaken; however, £3.5m (plus interest) was repaid to the PWLB as per the terms and conditions of the £70m borrowing taken during April 2011 (leaving £3.5m to be repaid in April 2021).
- (b) No external debt rescheduling was undertaken during the period.
- (c) 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 2020/21 (to 31 December) was £399.5m. Actual levels of investments, including cash balances held in the Council’s main Lloyds business bank accounts, amounted to £400.6m at 31 December 2020 (£401.1m as at 30 September 2020). Cash balances available for investment remain at elevated levels, a consequence of Capital, Revenue & Emergency Covid-19 funding received ahead of spend committed throughout the remainder of 2020/21.

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; ensuring that there were enough funds to meet all financial obligations (including those relating to Covid-19) as they arose. During the third quarter of 2020/21 this included the arrangement of short term investments (up to three months) with financial institutions and appropriate liquidity being maintained in Money Market Funds. As a consequence, the disposition of bank unsecured/other investments at 31 December 2020 as compared with 30 September 2020, is detailed below:

Counterparty Type	Sep-20 £m	Sep-20 %	Dec-20 £m	Dec-20 %
Banks Unsecured (Deposits)	84.5	21.1	84.6	21.1
Short-Term Money Market Funds	49.9	12.4	68.6	17.2
Total Bank Unsecured	134.4	33.5	153.2	38.3
Bank Secured (greater than 1 year)	10.0	2.5	10.0	2.5
Non-Bank (less than 1 year)	179.5	44.8	159.5	39.8
Non-Bank (greater than 1 year)	15.0	3.7	15.0	3.7
Internal Investments	338.9	84.5	337.7	84.3
Externally Managed - Bond Funds (i)	24.9	6.2	24.9	6.2
Externally Managed - Multi Asset	14.9	3.7	15.4	3.9
Externally Managed - Property	22.4	5.6	22.6	5.6
TOTAL INVESTMENTS	401.1	100.0	400.6	100.0

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

2.5 As the quarter progressed towards the end of 2020, markets as a whole saw an increasing swathe of monies being focused on ultra-short investment periods; thereby placing downward pressure on yields (to near zero or negative rates). As year-end positioning begins to unwind in early 2021 so the amount of money weighing on short-term yields should begin to dissipate. However, underlying interest rate expectations, bank regulatory requirements and investor liquidity needs will still combine to ensure that short-term investment rates remain at very low levels. Investments with other local authorities (up to one year duration periods) continue to be approved to mitigate the risk of such ultra-low rates of return. The full breakdown of the Council's investment portfolio at 31 December 2020 is shown in **Appendix A**.

2.6 In demonstrating compliance with the Council's creditworthiness policy (as contained within the approved 2020/21 "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-20 £'m	Jun-20 £'m	Sep-20 £'m	Dec-20 £'m
AAA (i)	76.2	108.7	59.9	78.6
AA-	20.0	20.0	15.0	15.0
A+	15.2	15.0	44.5	44.6
A	30.0	10.0	10.0	10.0
A-	10.0	10.0	25.0	25.0
Local Authority (No Rating)	149.5	139.5	184.5	164.5
Internally Managed	300.9	303.2	338.9	337.7
Externally Managed (AAA)	0.0	0.0	24.9	24.9
Externally Managed (Other)	37.2	37.5	37.3	38.0
Total Investments	338.1	340.7	401.1	400.6

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

2.7 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 2020/21 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 **£15.0m** invested with Australian banks at 31 December 2020.
- (b) Up to a maximum of £25m may be invested with UK Registered Social Landlords (Housing Associations): Actual **£10.0m** at 31 December 2020.
- (c) Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account: Actual **£25.0m** at 31 December 2020.
- (d) Up to a maximum of £150m may be invested in short-term Money Market Funds (excluding externally managed pooled funds): Actual **£68.6m** at 31 December 2020.

- (e) 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 **£62.9m** total investment at 31 December 2020 (of which **£38.0m** is invested in unrated multi-asset income and property funds).
- (f) Up to a maximum of £100m 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 **£63.0m** at 31 December 2020.

3. Risk implications and mitigations

- 3.1 Covered in main body of report.

Katharine Eberhart
Director of Finance and Support Services

Contact Officers

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Appendices

Appendix A – Council's investment portfolio as at 31 December 2020

Background Papers

None

Investments held as at 31 December 2020

Investments held with counterparty's approved within the Council's 2020/21 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 31 December 2020, are set out below:

Total Investments for period = £400.6m

Table 1: UK Banks (Unsecured) – Total £69.6m

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	1 Year (i)	05/08/20	05/02/21	184	36	0.09%	£15.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	0.05%	£15.0m
Leeds Building Society	A-	£15m	100 Days	05/11/20	05/02/21	92	36	0.01%	£15.0m
Lloyds Bank Plc: Business Account(s)	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.00%	£0.1m
Lloyds Bank Plc: 175-Day Notice Account	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.11%	£14.5m
National Westminster Bank Plc	A	£15m	1 Year	05/11/20	05/02/21	92	36	0.01%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	03/08/20	03/08/21	365	215	0.27%	£5.0m

- (i) *The 2020/21 Treasury Management Strategy approves investment durations up to a maximum of one year for unsecured deposits in UK Banks holding a+ long-term credit rating. However, given Goldman Sachs International Bank's elevated CDS price (in comparison with other approved UK banks) the Council currently only considers deposits up to a maximum six month duration; in line with recommended exposure limits received from Link Asset Services.*

Table 2: Non-UK Banks (Unsecured) – Total £15.0m

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)	A+	£15m	1 Year	22/07/20	22/01/21	184	22	0.24%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/07/20	22/04/21	274	112	0.28%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/07/20	22/07/21	365	203	0.32%	£5.0m

Table 3: 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	£25m	10 Years	02/08/19	02/08/22	1,096	579	0.48%	£10.0m

Table 4: UK Local Authorities – Total £164.5m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Barnsley Metropolitan Borough Council	(ii)	£25m	20 Years	05/11/19	05/11/21	731	309	1.45%	£5.0m
Blackpool Council	(ii)	£25m	20 Years	25/09/20	24/09/21	364	267	0.30%	£5.0m
Croydon Council	(ii)	£25m	20 Years	03/11/20	02/11/21	364	306	0.30%	£10.0m
Hackney Council	(ii)	£25m	20 Years	27/02/20	25/02/21	364	56	0.97%	£10.0m
Haringey Council	(ii)	£25m	20 Years	13/03/20	12/03/21	364	71	0.98%	£10.0m
Highland Council	(ii)	£25m	20 Years	10/02/20	08/02/21	364	39	0.98%	£4.5m
Hillingdon Council	(ii)	£25m	20 Years	05/08/20	04/08/21	364	216	0.25%	£10.0m
Isle of Wight Council	(ii)	£25m	20 Years	09/04/20	08/04/21	364	98	1.00%	£5.0m
Leeds City Council	(ii)	£25m	20 Years	26/08/20	24/02/21	182	55	0.09%	£15.0m
Luton Borough Council	(ii)	£25m	20 Years	25/11/20	24/11/21	364	328	0.30%	£5.0m
Plymouth City Council	(ii)	£25m	20 Years	25/03/20	24/03/21	364	83	1.30%	£10.0m
Southwark Council	(ii)	£25m	20 Years	22/01/20	20/01/21	364	20	1.00%	£5.0m
Stockport Metropolitan Borough Council	(ii)	£25m	20 Years	31/03/20	30/03/21	364	89	0.98%	£10.0m
Tameside Metropolitan Borough Council	(ii)	£25m	20 Years	27/11/20	26/11/21	364	330	0.25%	£10.0m
Thurrock Council	(ii)	£25m	20 Years	06/07/20	06/01/21	184	6	0.33%	£5.0m
Thurrock Council	(ii)	£25m	20 Years	04/08/20	04/08/21	365	216	0.50%	£10.0m
Thurrock Council	(ii)	£25m	20 Years	02/10/20	01/10/21	364	274	0.42%	£10.0m
Trafford Council	(ii)	£25m	20 Years	06/08/20	08/02/21	186	39	0.15%	£10.0m
Wokingham Borough Council	(ii)	£25m	20 Years	30/07/20	30/07/21	365	211	0.30%	£10.0m
Wokingham Borough Council	(ii)	£25m	20 Years	25/08/20	24/08/21	364	236	0.25%	£5.0m

(ii) For UK local authorities the Council assumes individual credit ratings to be aligned with the prevailing UK sovereign rating (**AA-** as at 31 December 2020) unless an actual credit rating exists from any of the three rating agencies (Fitch, Moody's and Standard & Poor's).

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	249	1.40%	£10.0m

Table 6: Short-Term Money Market Funds – Total £68.6m

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	0.01%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	0.00%	£8.7m
Deutsche Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	0.00%	£25.0m
Goldman Sachs Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	0.00%	£9.9m

(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 £62.9m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	2020/21 EIR(%)	Market Value
Federated Cash Plus Fund	AAA	£25m	Note (iv)	29/07/20	n/a	156	n/a	0.20%	£24.9m
Fidelity Multi-Asset Income Fund	n/a	£15m	Note (v)	11/12/18	n/a	752	n/a	4.65%	£7.9m
Ninety-One Diversified Income Fund	n/a	£15m	Note (v)	05/12/18	n/a	758	n/a	3.96%	£7.5m
CCLA (Local Authorities' Property Fund)	n/a	£15m	Note (vi)	28/02/17	n/a	1,403	n/a	3.89%	£9.2m
Hermes Property Unit Trust (HPUT)	n/a	£15m	Note (vi)	28/08/18	n/a	857	n/a	3.12%	£9.0m
Lothbury Property Trust (LPT)	n/a	£15m	Note (vi)	03/09/18	n/a	851	n/a	2.39%	£4.4m

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

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

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

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Regulation, Audit and Accounts Committee**18 January 2021****Annual Governance Statement Action Plan 2019/20****Report by Director of Law and Assurance****Electoral division: Not applicable**

Summary

The Committee agreed the Annual Governance Statement 2019/20 at its last meeting. The actions planned in the Statement are now shown in a new action plan table, attached as appendix A which will assist future monitoring by the Committee.

Recommendations

That the Action Plan be noted.

Proposal**1 Background and context**

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS) by the County Council. It is produced in line with 2016 guidance by CIPFA / SOLACE. A Corporate Code of Governance approved by the Governance Committee at a meeting on 12 September 2016 also informs the AGS's preparation.
- 1.2 Corporate Governance is the system by which the County Council ensures and gives assurance that it is discharging its functions in the right way, in a timely and accountable manner. It comprises the processes, culture and values by which the County Council operates and through which it accounts to residents.
- 1.3 The Annual Governance Statement 2019/20 was agreed by the Committee in November 2020 and was subsequently signed by the Leader and Chief Executive, as required. The Statement contains a summary of required actions at the end of each section.

2 Proposal details

- 2.1 The Action Plan for 2019/20 is attached for information, setting out the governance issues that need to be addressed. These have been identified in each section of the Annual Governance Statement 2019/20 and any outstanding actions from the 18/19 Action Plan have been incorporated into the new document. The Committee may use the action plan as a reference document to

monitor the achievement of the actions required by the approved AGS. Future versions will include a progress report against each action.

3 Other options considered (and reasons for not proposing)

3.1 Not applicable.

4 Consultation, engagement and advice

4.1 The external auditor was consulted on the draft Annual Governance Statement 19/20 and the auditor's comments have been taken into account in the final version, which includes the items identified for the Action Plan.

5 Finance

5.1 Not applicable.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
There are risks from services failing to deliver the action plan	Individual directorates, the Executive Leadership Team and this Committee monitor the delivery of actions.

7 Policy alignment and compliance

7.1 The Statement is aligned with the Code of Corporate Governance.

Tony Kershaw

Director of Law and Assurance

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Appendices

Appendix A - Annual Governance Statement Action Plan 2019/20

Background papers

None

Annual Governance Statement Action Plan 2019-20

January 2020 Update

Principle A: Integrity and Compliance

Action and link to risk register (if applicable)	Action Owner	Progress (for future versions)
To complete the refresh of the whistleblowing procedures	Director of Law & Assurance	
To ensure full implementation of officer interests and gifts	Director of Law & Assurance	
To complete the external good governance review and plan the implementation of agreed proposals.	Chief Executive	
To review the scheme of delegation as part of the good governance review. (Risk LA7)	Director of Law & Assurance	
18-19 – To plan review of anti-fraud, corruption and bribery policies (Risk CR7)	Director of Law & Assurance	

Principle B: Openness and Stakeholders

Action and link to risk register (if applicable)	Action Owner	Progress
Implement actions arising from the Governance Review (Risk CR7)	Chief Executive	
Implement actions from Improvement Plan for Fire & Rescue Service	Chief Fire Officer	
Implement actions from the Children First Improvement Plan	Executive Director of Children, Young People and Learning	
Children's Improvement Board to enhance partnership engagement	Executive Director of Children, Young People and Learning	
Identify and implement actions related to planning for a Children's Trust	Chief Executive and Executive Director of Children, Young People and Learning	
Complete work on equality impact assessment in decision making	Director of Law & Assurance	
Complete engagement, promotion and training linked	Director of Law & Assurance	

Action and link to risk register (if applicable)	Action Owner	Progress
to revised whistleblowing policy.		
Implement final proposals and actions from review of scrutiny and learning from good governance review	Director of Law & Assurance	
18-19 - To complete roll out of Modern.gov systems for democratic processes	Director of Law & Assurance	

Principle C: Sustainability

Action and link to risk register (if applicable)	Action Owner	Progress
Review of process for setting or varying West Sussex Plan priorities	Chief Executive	
Review of member engagement for performance management arrangements	Director of Law & Assurance and Director of Finance & Support Services	
Review of Total Performance Monitor content and processes	Director of Finance & Support Services	
Completion of governance for Climate Change Strategy	Director of Environment & Public Protection	
Develop actions from the new Economic Strategy	Executive Director of Place Services	

Principle D: Optimising Interventions

Action and link to risk register (if applicable)	Action Owner	Progress
Children's Improvement Plan implementation (CR61)	Executive Director of Children, Young People and Learning	
Fire and Rescue Improvement Plan implementation (Risk CR60)	Chief Fire Officer	
Review of Total Performance Framework form and process	Director of Finance & Support Services	
Review of officer executive boards	Director of Law & Assurance	
Review of capital governance arrangements	Director of Law & Assurance and Director of Finance & Support Services	

Principle E: Leadership and Capability

Action and link to risk register (if applicable)	Action Owner	Progress
Leadership skill development	Director of Human Resources and Organisational Development	
Workforce strategy adopted and actions planned	Director of Human Resources and Organisational Development	
Member skills development following good governance review and scrutiny review	Director of Law & Assurance	
Plans for member skills and knowledge in preparation for post May 2021 election	Director of Law & Assurance	

Principle F: Risk and Performance

Action and link to risk register (if applicable)	Action Owner	Progress
Finalise review and plans for corporate risk register oversight and monitoring	Director of Finance & Support Services	
Refresh compliance and consistency in scheme of onward delegation from Directors	Director of Law & Assurance	
Finalise internal governance and arrangements for assurance in relation to Health and Safety	Director of Human Resources and Organisational Development	

Principle G: Audit and Transparency

Action and link to risk register (if applicable)	Action Owner	Progress
Internal audit recommendations for governance	Director of Law & Assurance	

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