Public Document Pack

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A meeting of the **Corporate Governance & Audit Committee** will be held in the Committee Rooms, East Pallant House on **Monday 25 March 2024** at **2.00 pm**

MEMBERS: Mr R Bates (Chairman), Mr T O'Kelly (Vice-Chairman), Mr I Ballantyne, Mr J Brown, Mr M Chilton, Ms M Corfield, Mr F Hobbs and Mr T Johnson

AGENDA

1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.

2 **Approval of Minutes** (Pages 1 - 9)
The Committee is requested to approve the minutes of its meeting on 22 January 2024.

3 **Urgent items**
The Chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item.

4 **Declarations of Interest**
These are to be made by Members of the Corporate Governance and Audit Committee or other Chichester District Council Members present in respect of matters on the agenda for this meeting.

5 **Public Question Time**
The procedure for submitting public questions in writing by no later than noon 2 working days before the meeting is available from the Democratic Services Department (contact details are available on the front page of this agenda).

6 **CG&AC Work Programme 2024-25** (Pages 11 - 17)
Recommendation:

The Committee is requested to consider and agree the Work Programme for 2024-25.

7 **Audit Plan for year ended 31 March 2024** (Pages 19 - 71)
Recommendation:

The Committee is requested to note the Outline audit planning report for year ended 31 March 2024.

8 **VFM Report 2022/2023** (Pages 73 - 100)
Recommendation:

The Committee is requested to consider this report and note the information provided.

9 **Accounting Policies 2023-24** (Pages 101 - 119)
Recommendation:

The Committee is requested to consider this report and approve the updated accounting policies in the preparation of the Council's 2023-24 financial statements.

10 **Strategic Risk Management Update** (Pages 121 - 162)
Recommendation:

That the Committee notes the updated Strategic Risk Register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.

11 **Progress Report - Audit Plan 2023/2024** (Pages 163 - 248)
Recommendation:

That the Committee notes performance against the Audit Plan for 2023/24.

12 **Proposed New Ways of Working for Internal Audit 2024 2025** (Pages 249 - 254)
Recommendation:

That the Committee:

1. **Agree a fluid annual audit plan compiled using risk-based measures from the Strategic and Organisational Risk Registers, as required by The Institute of Internal Auditors (IIA) Global Standards and with the capacity to respond to newly emerging risks and investigations.**

2. **Agree an agile audit approach is introduced to support the delivery of a risk-based audit plan which will fully utilise resources within the Audit and Investigations team.**

13 **Late items**
The Committee will consider any late items as follows:

a) Items added to the agenda papers and made available for public inspection
b) Items that the Chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

14 **Exclusion of the Press and Public**
The Committee is asked to consider in respect of the following item(s) Item 10 – Appendix, Item 11 – Appendix and Item 15 whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Parts I to

7 of Schedule 12A of the Local Government Act 1972, as indicated against the item and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information. **The reports dealt with under this part of the agenda are attached for members of the Corporate Governance & Audit Committee and senior officers only (salmon paper)**.

15 **Potential Liabilities of Outstanding Litigation** (Pages 255 - 257)
Recommendation:

That the Committee notes the potential liabilities of the Council by way of known, or threatened, litigation.

NOTES

1) The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of 'exempt information' as defined in section 100A of and Schedule 12A to the Local Government Act 1972.

2) The press and public may view the report appendices which are not included with their copy of the agenda on the Council's website at Chichester District Council - Minutes, agendas and reports unless they contain exempt information.

3) Subject to Covid-19 Risk Assessments members of the public are advised of the following;

- Where a member of the public has registered a question they will be invited to attend the meeting and will be issued a seat in the public gallery.
- You are advised not to attend any face to face meeting if you have symptoms of Covid.

4) Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. [Standing Order 11.3 of Chichester District Council's Constitution]

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Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Rooms, East Pallant House on Monday 22 January 2024 at 2.00 pm

Members Present: Mr R Bates (Chairman), Mr I Ballantyne, Mr J Brown, Mr M Chilton and Ms M Corfield

Members not present: Mr T O'Kelly, Mr F Hobbs and Mr T Johnson

In attendance by invitation:

Officers present: Mr A Alempour (Democratic Services Officer), Mrs H Belenger (Divisional Manager for Financial Services), Mr K Gillett (Valuation and Estates Manager), Mr S James (Principal Auditor) and Mr J Ward (Director of Corporate Services)

36 **Chairman's Announcements**

Apologies were received from Cllr O'Kelly & Cllr Johnson.

37 **Approval of Minutes**

The minutes of the meeting on 30 October 2023 were agreed as the correct record.

38 **Urgent items**

There were no urgent items.

39 **Declarations of Interest**

There were no declarations of interest.

40 **Public Question Time**

No public questions were received.

41 **Draft Capital Strategy 2024-25 to 2028-29**

Mrs Belenger introduced the item and briefed Members on the Strategy's' objectives and function. In addition to the draft Capital Strategy document, Members were to consider the Treasury Management & Investment Strategies for 2024-25 to 2028-29 also on this meeting's agenda, as these strategies are all interlinked.

The Chairman was pleased to note that the strategy outlines the importance of developing sustainable changes, across all Council projects in the district.

The Chairman asked Senior Officers whether the strategy in place is adequate to achieve the goal of reducing climate change and to provide further information on why this is the case.

Mrs Belenger advised that the Council has declared a climate emergency and has set up targets to reduce its own impact on the environment. This has been addressed in several ways, such as the decarbonisation of the Westgate Leisure Facility. Freeland Close and Westwood House have also undergone improvements to improve their energy efficiency.

Another key development is the trial of electric refuse freighters. Once this trial has concluded, the Council will be able to determine the most appropriate way to proceed. The local plan also plays an important role in maintaining the environment and areas of natural beauty.

Mrs Belenger added that the Treasury Management document provides further information on best practice and guidance in relation to Environmental, Social and Governance (ESG) considerations for the Council’s cashflow management.

The Capital strategy gives information on the funding of the capital programme and asset replacement programme including the use of external grants and contributions plus the Council’s own resources.

The Chairman noted that the Commercial Services Division now includes electric waste collection vehicles in the fleet.

Mr Ward added that the trial period for electric refuse freighters had highlighted several areas of improvement. There are a range of other vehicles which are due to be replaced, additional information regarding these replacements will be provided at the next Cabinet meeting.

The 10% reduction in carbon omissions per annum target is monitored by the Environment Panel and the Climate Change Action Plan. In order to achieve this, the Council has to reduce its own carbon footprint, whilst also monitoring the public’s carbon footprint and behaviour. Mr Ward highlighted that the Council’s vehicle fleet has the largest impact on the Council’s carbon footprint, therefore addressing this area is of crucial importance. It’s always important for the Council to balance impact against cost, as the Council has finite resources.

The Chairman highlighted the Capital Expenditure table illustrating CIL monies. The Chairman asked Senior Officers whether the data for the total receipt of CIL monies has been published.

Mrs Belenger advised that Mr Davis previously reported on S106 & CIL monies to the Committee, and that this report includes this data.

The Chairman thanked the Senior Officers for answering questions.

RESOLVED:

The Committee is requested to consider the report and its appendix and make the following recommendation:

That the Committee considers the Council's draft Capital Strategy for 2024-25 to 2028-29 and recommends it to Cabinet for onward approval at Council.

42 **Draft Treasury Management and Investment Strategy**

Mrs Belenger introduced the item and advised Members that the Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA) and by the Department of Levelling up Housing Communities (DLUHC) to approve a Treasury Management and Investment Strategy each year.

As the Council is compliant with the Code of Practice 2021, this has resulted in only a small number of changes to the strategy this year. Mrs Belenger confirmed that the Draft Strategy is fully compliant with the Treasury and Management Code, and the most recent revisions to this code in 2021. The key focus behind these changes was to reinforce the matters of proportionality, risk management and the skills and governance framework necessary, given the ever-increasing complexity of treasury and investment matters.

Mrs Belenger confirmed that the treasury and commercial investment sections of the strategy are relatively unchanged and have been updated in line with the latest position statement. There are no fundamental changes which have altered the general approach taken by the Council in previous years.

Mrs Belenger advised that the document also outlines the requirement for Members to receive training, the most recent training sessions being held during December 2023.

This document, in addition to the Corporate Plan and Capital Investment Strategy, all work in cohesion as part of the Council's risk management and governance function.

Cllr Ballantyne highlighted the behavioural aspect of governance, stating that it's important for governments to behave ethically.

Cllr Ballantyne asked what measures are in place to ensure that Members behave ethically and to take this into consideration when making financial decisions.

Mrs Belenger advised that the Constitution plays a key role in setting out the rules, functions and authority by which the Council operates as a public sector organisation. There are also financial regulations within the Constitution, such as s.4.8, which sets out the rules of delegation to Officers and what Chief Officers are allowed to do. In addition to this, each Council's Chief Finance Officer has specific responsibilities relating to spending plans, as per Section 25 Declaration of the Budget Report regarding Section 25 of the Local Government Act 2003. In this report, Mr Ward is confirming that the spending plans included are robust, affordable and sustainable.

Mrs Belenger added that it's also important to ensure the appropriate agreements are in place between the Council and external organisations, an example of this would be the s.101 agreement between the Council and South Downs National Park in relation to the Council acting as their agent for planning. These agreements set out clear roles, responsibilities, and procedures for all the relevant parties.

Cllr Ballantyne asked if there is any risk that the Council's reputation can be damaged due to financial mismanagement, such as is the case with Birmingham Council.

Mrs Belenger advised that every action carries inherent risks, certainly in relation to financial management. As the Council is currently in a surplus cash position, members and staff must be careful to maintain this position and their choice of counterparties.

Mrs Belenger stated that Chichester District Council does have investments with Birmingham City Council. Their s.151 officer has given assurances to Mr Ward that the money invested will be returned and that they will adhere to their contractual obligations.

As there are several local authorities at financial risk, it's prudent for the Council to conduct additional checks. These checks include reviewing whether the authority has declared a s.114. The Council now has additional in-house analysis on balance sheets, which the Council can use to assess the authorities' financial capability. If the Council in question has not published their 2022-23 accounts, Chichester District Council will not invest in these authorities. These extra measures have been implemented as a result of the issues other Councils have experienced in the last 6 months.

Cllr Chilton noted that similar asset-based finance has been added to the list of methods on page 57 of the Committee papers that are not classed as borrowing, but may be classed as other liabilities.

Cllr Chilton asked why this method has been added to the list.

Mrs Belenger confirmed that advisors have made this recommendation to Council, to ensure that the full range of options are included. As an authority which has not borrowed, this has been included for this reason only.

Cllr Chilton referred to page 57 of the agenda, where it states that PWLB Loans are no longer available to local authorities planning to buy investment assets primarily for yield.

Cllr Chilton asked for clarification on whether this means that public work loans are not available to local authorities who use these loans to buy investment assets, or rather that the local authority using another source of finance to buy investment assets can no longer claim a public works loan.

Mrs Belenger advised that PWLB have tightened their lending criteria for local authorities, this has subsequently removed the ability to borrow from them to invest in commercial activities. DLUHC and CIPFA are trying to prevent authorities using this public source of borrowing to fund riskier activities.

Mr Ward added that PWLB take other factors into account when lending, as they will review the Council's Capital Programme and if the Council is using its internal resources to finance a potentially commercial operation. If this is the case, they will not lend money for any other purposes.

Cllr Brown asked whether Councils are allowed to invest their own money for commercial purposes.

Mr Ward advised that Councils are allowed to invest their own money, but there are several checks that must be met to ensure that there is a robust business case and justification for doing so. Councils cannot access government borrowing to undertake commercial ventures.

Mrs Belenger added that in addition to this, the Council also has an investment protocol, which is linked to the Council's finance and estates services. The Treasury Management Report presented to Members sets out the key issues regarding these commercial activities and highlights proportionality. The income from these commercial activities must be set at a level which is appropriate for the size of the District Council, to further minimise the risk to the taxpayer in the district.

Cllr Brown stated that the Council has historically invested for commercial returns.

Cllr Brown asked if it's acceptable to retain these assets, and whether it's strictly new investments which are discouraged.

Mr Ward advised that new commercial investments are not what is being discouraged, but new commercial investments where an authority is asking the government for funding. The Council has its own reserves, so if there is justification to pursue commercial investments then it is free to do so, but the Council cannot access Government debt in order to pursue these commercial investments.

Cllr Brown asked if the Council were to use its own reserves for commercial investment, would this prevent the Council from borrowing public money for a completely non-commercial purpose.

Mr Ward confirmed that this would prevent the Council for borrowing money for a non-commercial purpose, as the PWLB would review the Council's Capital Investment Programme. If there are any activities that are commercial in nature, the PWLB would withhold funding for any other activities.

Cllr Brown asked the Senior Officers whether the PWLB would deem this to be the case with Chichester District Council, due to the Council's existing commercial investments.

Mr Ward stated that he does not believe this to be the case, as there are no new commercial only activities in the Council's current capital programme. The Council has conducted capital acquisitions in the past, however PWLB would not review historic decisions, but monitor current and future decisions made by authorities.

Mrs Belenger confirmed that page 65 onwards of the agenda details the commercial investments and risks that the Council is managing. Income from commercial investment is set to remain below 10% of the Council's net revenue stream. Page 68 of the agenda sets out the proportionality of the Council's current investments.

The Chairman referred to the section of the report that states that property can be difficult to convert to cash at short notice and noted the property market's current volatility.

The Chairman asked Mr Gillett if the Council should need to sell any of its existing investment properties, in the event that the properties are vacant for a prolonged period, how the Council determines the appropriate time to sell those properties and whether there's been a loss in their value.

Mr Gillett advised that whether the loss is recovered is largely determined by the sale and purchase prices at the time of transaction. If a property is vacant, this will be detrimental to the value of that property. Potential investors would also review how long it takes to re-rent that property.

Mr Gillett noted that it also depends on market conditions at the time, highlighting that there are a variety of commercial investments, and each of these perform differently throughout different points in time. Each of these factors would be reviewed when determining whether it's an appropriate time to sell and whether to absorb potential losses.

The Chairman asked Mr Gillett how many of the properties owned by Chichester District Council in Chichester are currently vacant, or where he could access this data.

Mr Gillett advised that this data is reported quarterly against performance indicators. At present, there are 5 units vacant from the Council's investment portfolio. Mr Gillett added that there are other units present as part of the Council's other property holdings and that he will confirm these figures following the Committee.

The Chairman stated the current vacancy level on the high street in Chichester can seem alarming and although these may not be commercial properties owned by the Council, it would be prudent to assist in regenerating the city.

The Chairman asked Mr Gillett whether the Council considers reducing the rent due when a property is vacant.

Mr Gillett confirmed that this is one of the key factors that the Council considers when marketing a property. There have been several premises that have been difficult to utilise, and the Council have employed agencies to look for tenants. Historically, the Council has preferred to search for tenants inhouse, however, this change is necessary in the current, difficult market. Mr Gillett noted that adjusting prices is also key to adapting.

RESOLVED:

The Committee is requested to consider the report and its appendices and make the following resolution and recommendation:

1. That the Committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy, and relevant Indicators for 2024-25; and,
2. That the documents in 2.1 are recommended to Cabinet and Council for approval.

43 **Progress Report - Audit Plan for 2023/24**

Mr James introduced the item and updated Members on the internal audit reports completed since the previous Committee. A position statement has also been issued to confirm the reasons for Audit Plan's delay, with further details contained in Appendix 1 of the report.

The Chairman asked when the Committee can expect to receive further updates on the Audit Plan.

Mr James advised that the plan is set to conclude in March 2024. If there is a shortfall, this will be reported to the Corporate Governance & Audit Committee in March 2024.

Cllr Chilton asked if Mr James could summarise from the report, what action needs to be taken with regards to disabled services grants.

Mr James advised that disabled service grants are within the Housing Department's remit, who have informed him that these recommendations are due to record keeping. Mr James stated that the Housing Department have worked hard to ensure that the recommendations being made in the report are sufficient and that the areas of improvement are being addressed. Mr James highlighted that the department has also undergone data retention refresher training and are making good progress with regards to data retention.

RESOLVED:

That the Committee notes performance against the Audit Plan for 2023/24.

44 **Draft - Internal Audit Charter**

Mr James introduced the item and briefed Members on the charter's function and objectives. Mr James confirmed that the Internal Audit Charter has been updated to account for changes made by the Public Sector Internal Audits Standard (PSIAS).

The Chairman asked what advantage the accreditation offers.

Mr James advised that accreditation demonstrates that the decisions included have been made to the necessary standard, this is the standard by which every authority is measured. PSIAS is making changes. He was confident the Council would be able to make the changes to achieve that standard.

Cllr Chilton asked whether the Internal Audit Charter would be written by PSIAS.

Mr James replied that it would be written by Chichester District Council Officers, not by PSIAS.

Mrs Belenger added that once this document is complete it will be reviewed by another internal audit service manager from an external local authority. If PSIAS believe that there are any shortcomings, feedback will be provided in their review.

Mr James stated that Chichester District Council's documentation will be reviewed by Rother District Council.

Cllr Ballantyne asked whether there is an external audit procedure in place for Chichester District Council.

Mrs Belenger confirmed that there is and that auditors will provide their feedback to this Committee. The Council has published their draft accounts for 2022-23, however these are yet to be reviewed by auditors. The number of outstanding audits across England stands at approximately 1,000 audits. Mrs Belenger added that whilst EY are awaiting guidance from DLUHC and CIPFA regarding outstanding audits, both organisations are preparing for the 2023-24 audit. Mrs Belenger expects these external audit reviews to be conducted between July and August 2024.

Cllr Ballantyne asked whether the presence of this accreditation can help streamline the internal audit procedure.

Mrs Belenger advised that DLUHC and CIPFA both place reliance on the work conducted by the Internal Audit Team and the accreditations. However, they also review and have access to all of Council's reports, so these also play an important role in the audit.

RESOLVED:

That the Committee notes the Draft – Internal Audit Charter.

45 Verbal update from members of the Annual Budget Scrutiny Group

Cllr Ballantyne introduced the item and briefed Members on the progress made by the Annual Budget Scrutiny Group when it met on 11 January 2024. Mrs Belenger provided Members with further information on the Group's objectives and function.

RESOLVED:

The Committee is requested to note the feedback provided from the Members appointed to the Group.

46 **Late items**

There were no late items.

47 **Exclusion of the Press and Public**

There was no requirement to exclude the press or public.

The meeting ended at 3.04 pm

CHAIRMAN

Date:

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Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 25 March 2024

Corporate Governance and Audit Committee Work Programme 2024-25

1. **Contacts**

Richard Bates - Chairman of the Corporate Governance & Audit Committee
Telephone: 07801 395 102
E-mail: rbates@chichester.gov.uk

2. **Recommendation**

2.1 **The Committee is requested to consider and agree its work programme for 2024-25.**

3. **Background**

3.1 Each year the Corporate Governance and Audit Committee prepares its work programme identifying the issues it will consider throughout the year.

3.2 At previous meetings of the committee the following principles were agreed:

- Task and Finish Groups can be used to take an issue off-line for deeper consultation and report back with recommendations.
- Where major documents (such as Treasury Management) are brought to the committee for approval, a summary of the key changes are to be set out highlighting the significant changes from previously approved versions.
- Reports should be shorter and more use should be made of executive summaries.
- Internal audit reports with an audit opinion of no assurance, limited assurance or reasonable assurance will be included with the agenda and audit reports with an assurance opinion can be requested by members if desired. The Internal Audit opinion matrix is detailed in appendix 1.

4. **Developing a Work Programme**

4.1 The 2024-25 work programme has been developed in consultation with the Council's external auditors, internal audit, and other relevant officers for considering suggestions for the future focus discussed by the committee during the year.

4.2 The Business Routeing Panel last met on 23 June 2023 to discuss the council's full work plan and to agree those issues which should be considered by this committee.

4.3 Members are requested to consider and approve this committee's work programme attached at Appendix 2.

5. **Implications**

Are there any implications for the following?

	Yes	No
Crime and Disorder		x
Biodiversity and Climate Change Mitigation		x
Human Rights and Equality Impact		x
Safeguarding and Early Help		x
General Data Protection regulations (GDPR)		x
Health and Wellbeing		x

6. **Appendices**

6.1 Appendix 1 – Internal Audit Opinion Matrix

6.2 Appendix 2 – Draft Work Programme 2024-25

7. **Background Papers**

None

Appendix 1

Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance (Critical Risk Exceptions)	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
	Limited Assurance (High Risk Exceptions)	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance (High or Medium Risk Exceptions)	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	Assurance (Low Risk/Improvement Exceptions)	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

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Corporate Governance and Audit Committee Work Programme 2024-25

Subject	Route	Lead Officer
15 July 2024		
Audit Plan for year ended 31 March 2024		EY
2023-24 Treasury Management Out-turn report	Cabinet	Jifang Fox
Internal Audit Progress Report & New Audit Plan 2024-25		Stephen James
Strategic Risk Group - Appointment of three members of the committee – verbal report		Stephen James
Housing Benefit Subsidy Audit 2021-22 (Subject to completion of work by EY – may be delayed to October meeting)		Marlene Rogers
Fraud Prevention Report 2023-24		Jeremy Todd
Corporate Health and Safety and Business Continuity Management		Warren Townsend
Annual Partnerships Report 2023-24		Pam Bushby
Possible Special Meeting – Prior to 30 September 2024		
Audit Results Report for the year ended 31 March 2023 *		EY
Statement of Accounts 2022-23 *		John Ward / David Cooper / Jifang Fox
2022-23 Annual Governance Statement and Corporate Governance report. * * Appendix 1 - CGAC's report to Full Council * Appendix 2 - Annual Governance Statement * Appendix 3 - Effectiveness of Internal Audit section	Council	Stephen James
21 October 2024		
Auditor's Annual Report Year ended 31 March 2023 *		EY

Subject	**Route**	**Lead Officer**
S106 and CIL Annual Monitoring report 2024		Simon Davies
Annual Budget Scrutiny Group Terms of Reference & appointment of three members of the committee.		John Ward
Financial Strategy & Plan 2025-26	Cabinet Council	John Ward
2024-25 Treasury Management half-yearly update	Cabinet	Jifang Fox
Internal Audit Progress Report – Audit Plan 2024-25		Stephen James
Complaints, Freedom of Information requests and Data Protection Analysis 2023-24		Nick Bennett / Deborah Williams
Annual Updates to the Constitution		Nick Bennett
Debt Recovery Update and Write Off report 2023-24 including reviewed Corporate Debt Recovery Policy	Cabinet (?)	Paul Jobson & John Ward / David Cooper
Strategic Risk Management Update		Stephen James
20 January 2025		
2025-26 Draft Treasury Management Strategy and Policy and Investment Strategies and Capital Strategy Update	Cabinet Council	Jifang Fox / Kevin Gillett
2025-26 Capital Strategy	Cabinet Council	Jifang Fox / Kevin Gillett
Audit Progress Report		EY
Annual Budget Scrutiny Group – report back by members of the group		Nominated members / John Ward
Review of Funding Agreement and SLA for CFT and PHG	Cabinet Council	Sarah Peyman
Internal Audit Progress Report – Audit Plan 2024-25		Stephen James
Audit Results Report for the year ended 31 March 2024		EY
Statement of Accounts 2023-24		John Ward / David Cooper / Jifang Fox

Subject	Route	Lead Officer
2023-24 Annual Governance Statement and Corporate Governance report. * Appendix 1 - CGAC's report to Full Council * Appendix 2 - Annual Governance Statement * Appendix 3 - Effectiveness of Internal Audit section	Council	Stephen James
17 March 2025		
Audit Plan for year ended 31 March 2025		EY
Auditor's Annual Report Years ended 31 March 2024		EY
Accounting Policies 2024-25		John Ward / Jifang Fox
Housing Benefit Subsidy Audit 2022-23		Marlene Rogers
Potential liabilities of outstanding litigation (Part 2)		Nick Bennett
Progress Report – Audit Plan 2024-25 & Draft Audit Plan for 2025-26		Stephen James
Strategic Risk Management Update		Stephen James

* Note – The reports associated with the Statement of Accounts for 2022-23, Annual Governance Statement, and the external audit reports from EY LLP are subject to the outcome of DLUHC's consultations for any outstanding prior year audits, and the subsequent guidance to be issued to the external auditors for the 2022-23 accounts and the deadlines set thereafter will determine when/if the associated reports will need to be approved by the Committee on behalf of the Council.

Reports emailed to CGAC members for information or if requested:

- Audits where the Internal Audit opinion is assurance as per the matrix can be requested by committee members from the Internal Audit and Corporate Investigations Manager.
- Treasury Management monthly status reports – sent to Committee by Financial Services
- EY Briefings – sent to Committee by Democratic Services

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Chichester District Council
Outline audit planning report

Year ended 31 March 2024

March 2024

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Agenda Item 7

Building a better working world

Corporate Governance and Audit Committee
Chichester District Council
East Pallant House
1 East Pallant
Chichester
PO19 1YT

7 March 2024

Dear Corporate Governance and Audit Committee Members

Outline Audit Planning Report

Attached is our outline audit planning report for the forthcoming meeting of the Corporate Governance and Audit Committee. The purpose of this report is provide the Corporate Governance and Audit Committee of Chichester District Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play to addressing the audit backlog.

(continued)

The Corporate Governance and Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Corporate Governance and Audit Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Corporate Governance and Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 25 March 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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01 Overview of our 2023/24 audit strategy

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Overview of our 2023/24 audit strategy

Context for the 2023/24 audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited accounts by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- DLUHC has launched consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic accounts and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has launched consultation on amending the Code of Audit Practice to :
    - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
    - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to issue a consultation on temporary changes to the accounting code for preparation of the accounts. The proposed temporary changes to the financial reporting framework have an impact on both how the accounts are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely we will disclaim the opinion on the Council's prior year 2022/23 audit. Our proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore have a significant effect on both the scope of the 2023/24 audit and our assessment of risk. We will, therefore, continue to need provide updates to the Corporate Governance and Audit Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.

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Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Corporate Governance and Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

It will also impact the level of audit resource available to complete the audit work in advance of any applicable backstop dates.

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Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2021/22 audit	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation	Inherent risk	No change in risk or focus	The valuation of Land and Buildings (L&B) and Investment Property (IP) included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions.

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Overview of our 2023/24 audit strategy

Council Materiality

Planning materiality

£1.53m

Materiality has been set at £1.53m, which represents 2% of 2022/23 gross expenditure on provision of services.

Performance materiality

£1.15m

Performance materiality has been set at £1.15m, which represents 75% of materiality.

Audit differences

£76.6k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, and collection fund) greater than £76.6k. Other misstatements identified will be communicated to the extent that they merit the attention of the Corporate Governance and Audit Committee.

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council’s 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Corporate Governance and Audit Committee updated on any changes to materiality levels as the audit progresses.

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Overview of our 2023/24 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

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

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

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

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

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

Taking the above into account, and as articulated in this Outline audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.

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Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

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

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

Audit scope and approach

We intend to undertake a substantive audit approach to gain assurance. There have been no changes in this approach from 2021/22.

The Government proposals to re-establish the local authority framework on a more sustainable basis and outcome of the related consultations are likely to have an impact on scope of the audit. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates of the impact of these changes to the Corporate Governance and Audit Committee where necessary to do so.

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Overview of our 2024 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

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

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

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Timeline

A timetable has been agreed with management to complete the audit by 30 November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team

Engagement Partner (Simon Mathers)

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor's report that is issued on behalf of EY
- The overall quality of the audit

Manager (Kelly Gates)

The Manager has responsibility for management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints.

Kelly is due to commence maternity leave in April 2024 and therefore the year end audit will be managed by Tom Wilkins.

Senior Manager (Tom Wilkins)

Tom will have responsibility for the management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints while Kelly is away on maternity leave.

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02 Audit risks

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Our response to significant risks

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

Misstatements due to fraud or error*

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will:

- Identify fraud risks during the planning stages.
- Inquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

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Our response to significant risks

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

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

► Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.

► Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.

► Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

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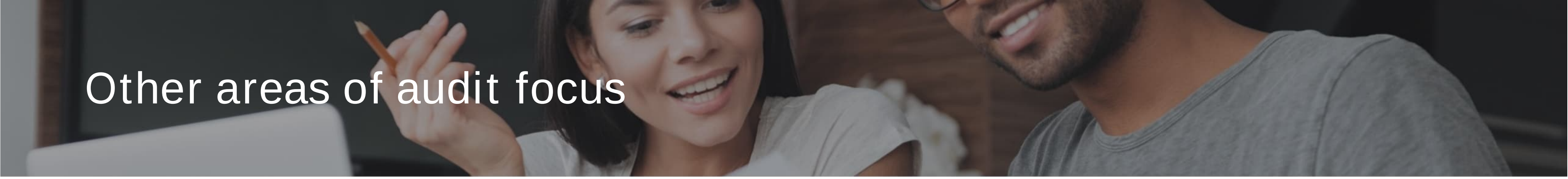

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement	What else will we do?
Pension Liability Valuation (inherent risk) The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund asset/deficit is a material estimated balance and the Code requires that this asset/liability be disclosed on the Council's balance sheet. At 31 March 2023 the net pension asset totalled £73.5 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: • Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council. • Assess the work of the pension fund actuary, Hymans Robertson, including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team. • Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model. • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.	We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

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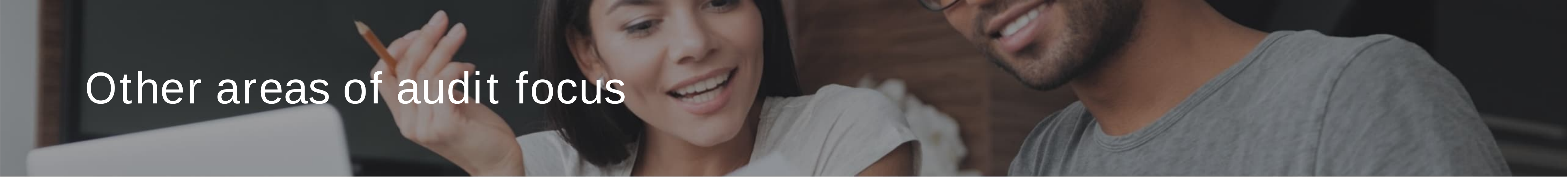

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Property, Plant & Equipment (PPE) and Investment Property (IP) Valuation (inherent risk)

The fair value of Property, Plant and Equipment (PPE) land and buildings and Investment Properties (IP) represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council’s PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting The Council’s IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

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Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

03 Value for Money risks

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Value for Money

Council responsibilities for value for money

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

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

Auditor Responsibilities

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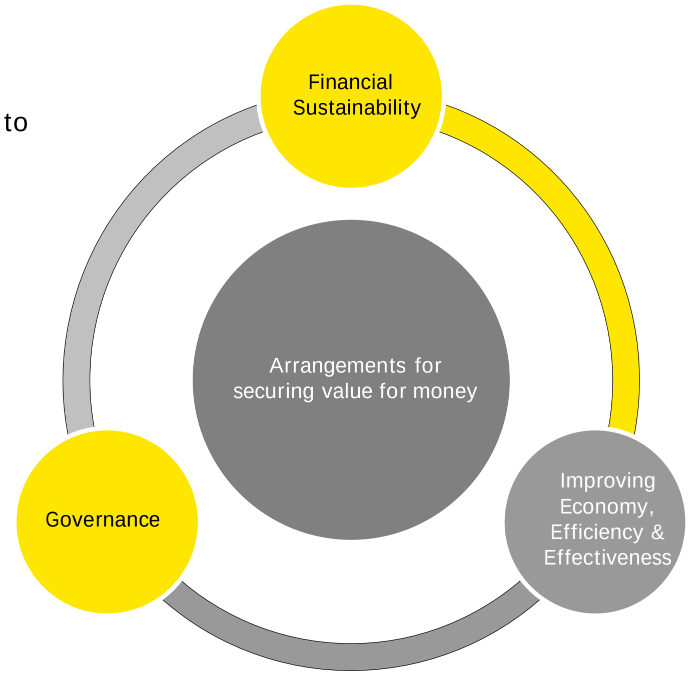
Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them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

The specified reporting criteria are:

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



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Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

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

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

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

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

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

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

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Value for Money

Responding to identified risks of significant weakness

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

Reporting on VFM

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

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus is likely to continue to be on the arrangements that the Council has in place in relation to financial sustainability.

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

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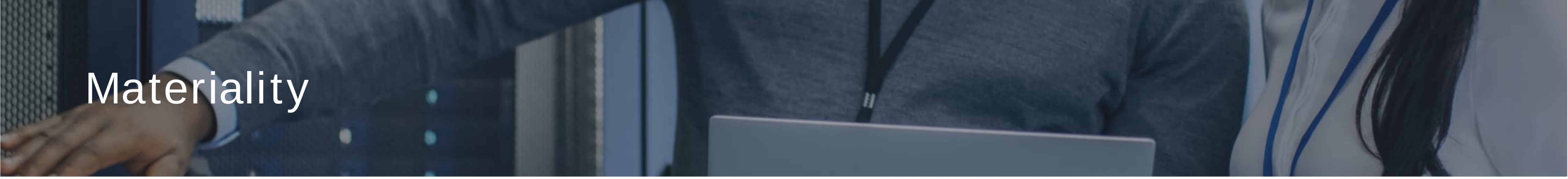
04 Audit materiality



Materiality

Council materiality

For planning purposes, materiality for 2024 has been set at £1.53m. This represents 2% of the Council's 2023 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix F.

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Gross expenditure on provision of services

£76.6 million

Planning materiality
£1.53m

Performance materiality
£1.15m

Audit differences
£76.6km

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Corporate Governance and Audit Committee updated on any changes to materiality levels as the audit progresses.

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures.

We have set our performance materiality at £1.15m which represents 75% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

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05 Scope of our audit

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Audit process and strategy

Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

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

Our opinion on other matters:

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

Other procedures required by the Code:

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

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

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

Audit process and strategy

Objective and Scope of our Audit scoping (cont’d)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Corporate Governance and Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management’s and auditor’s specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

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

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

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

Internal audit

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

06 Audit team

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Audit team

Simon Mathers
Key Audit Partner

Kelly Gates
Manager
(up to April 2024)

Tom Wilkins
Senior Manager
(from April 2024)

Zimbili Ngqambiya
Senior

Pensions Specialist
Specialist PWC consulting actuary and EY Actuaries

* Key Audit Partner

Use of specialists

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

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management, third-party or EY specialists are expected to provide input for the current year audit are set out in the table below:

Area	Specialists
Valuation of PPE Land and Buildings and Investment Properties	Management Specialist – Management's in-house valuation experts EY Specialist - EY Real Estates
Pensions disclosure	Management Specialist – Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries

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

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

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

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07 Audit timeline

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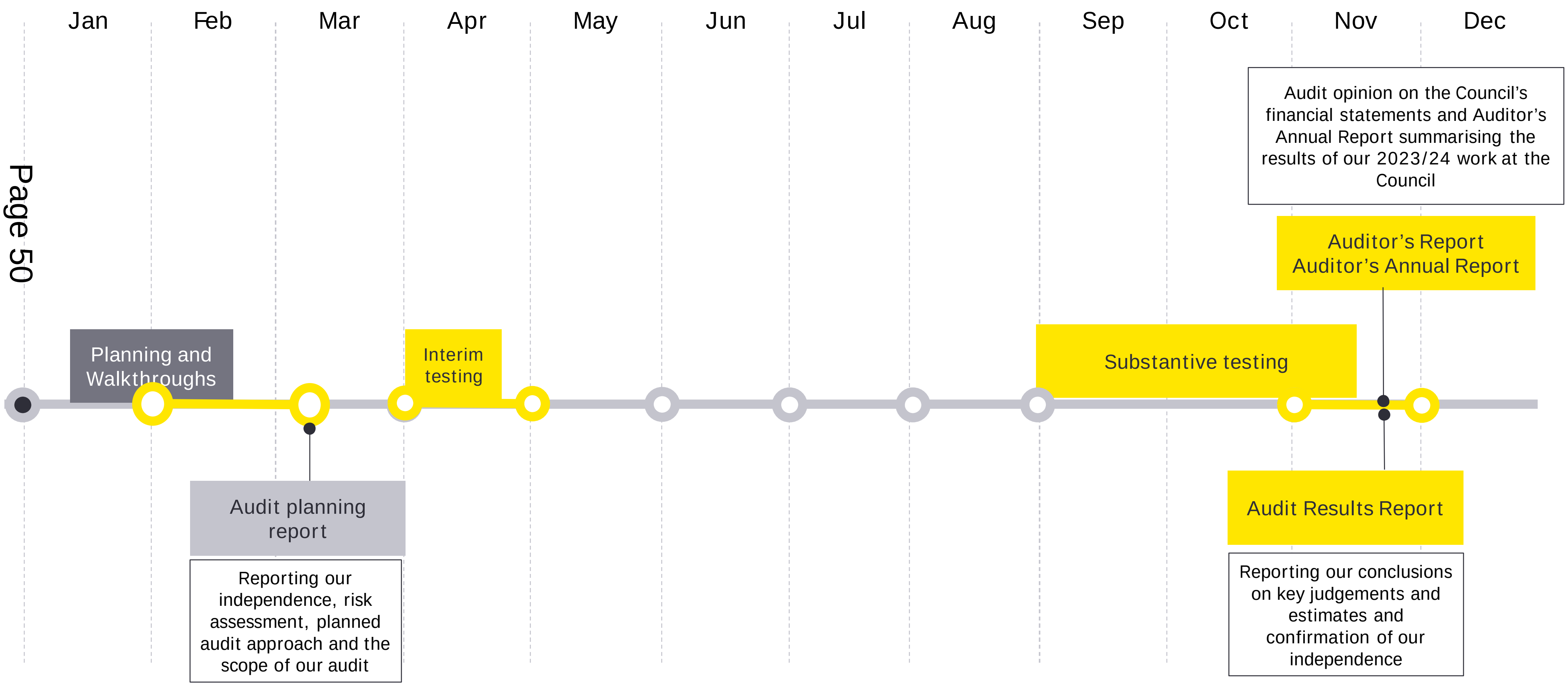
Timetable of communication and deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

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



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08 Independence

Introduction

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

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement.

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

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

Relationships, services and related threats and safeguards

Self review threats

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

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

Management threats

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

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

Other threats

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

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

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Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

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09 Appendices

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Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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Appendix B – Fees

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

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

The agreed fee presented on the next page is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

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

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Appendix B – Fees

	2023/24	Note Reference	2022/23
	£		£
Scale Fee	143,820	(1)	46,799
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(2)	-
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	-
Total audit	TBC		TBC
Total other non-audit services - HBAP	TBC		TBC
Total fees	TBC		TBC

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

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Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	• CIPFA have confirmed the re will be no further delay of the introduction of the leases standard IFRS 16. • Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. • Lease liabilities and right of use assets will be subject to more frequent remeasurement. • The standard must be adopted by 1 April 2024 at the latest.	• The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements. • The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. • Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

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Appendix C – Accounting and regulatory update (optional)

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:
	• Risk Assessment
	• Understanding the entity's internal control
	• Significant risk
	• Approach to addressing significant risk (in combination with ISA 330)
	The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:
	• Drive consistent and effective identification and assessment of risks of material misstatement
	• Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
	• Modernise ISA 315 to meet evolving business needs, including:
	  • how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
	  • how auditors understand the entity's use of information technology relevant to financial reporting.
	• Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.
		We will need to obtain an understanding of the IT processes related to the IT applications of the Council.
		We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
		When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
		We also review the following processes for all relevant IT applications:
		• Manage vendor supplied changes
		• Manage security settings
		• Manage user access
		• Manage entity-programmed changes
		• Job scheduling and managing IT process

Appendix D – The Spring Report (A combined perspective on enhancing audit quality)

Overview

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the report (accif.co.uk).

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Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit planning report – March 2024 meeting of the Corporate Governance and Audit Committee
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit results report

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Appendix E – Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	► Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► Material misstatements corrected by management	Audit results report
Fraud	► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ► The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ► Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ► Any other matters related to fraud, relevant to Audit Committee responsibility	Audit results report

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Appendix E – Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit results report
Independence	Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence ► Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Outline Audit planning report – March 2024 meeting of the Corporate Governance and Audit Committee Audit Results Report
External confirmations	► Management’s refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit results report

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Appendix E – Required communications with the Audit Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	► Key audit matters that we will include in our auditor’s report ► Any circumstances identified that affect the form and content of our auditor’s report	Audit results report

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Appendix F – Additional audit information

Regulatory update

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

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Corporate Governance and Audit Committee. The audit does not relieve management or the Corporate Governance and Audit Committee of their responsibilities.

Other required procedures during the course of the audit

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

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Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

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

Purpose and evaluation of materiality

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

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

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

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the Council, either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that… so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

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Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
Suspected or known fraud or bribery	Potential fraud/breach of anti-bribery legislation
Health and Safety incident	Potential breach of section 2 of the Health and Safety at Work Act 1974
Payment of an unlawful dividend	Potential breach of Companies Act 2006
Loss of personal data	Potential GDPR breach
Allegation of discrimination in dismissal	Potential non-compliance with employment laws
HMRC or other regulatory investigation	Suspicion of non-compliance with laws/regulations
Deliberate journal mis-posting or allegations of financial impropriety	Potential fraud / breach of Companies Act 2006
Transacting business with sanctioned individuals	Potential breach of sanctions regulations

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Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

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Management response:

- Timely communication of the matter to auditors (within a couple of days)
- Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both
- Scope the investigation, in discussion with the auditors
- Evaluate findings and agree next steps
- Determine effect on financial statements including disclosures
- Prepare a paper, summarising the outcome of the investigation and management's conclusions
- Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis – do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline – discuss the implications with us as your auditor

Audit response:

- Initial assessment of the NOCLAR matter and its potential impact
- Initial consultation with risk team to determine responsive procedures and the involvement of specialists
- Understand and agree scope of management's investigation with support from specialists as needed
- Evaluate findings and undertake appropriate audit procedures
- Determine audit related impact including accounting and disclosure and audit opinion implications
- Document and consult on the outcome of our procedures
- Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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Chichester District Council

Value for Money report

Year ended 31 March 2023

04 Month 2024

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04 March 2024

Chichester District Council
East Pallant House
Chichester
West Sussex, PO19 1TY

Dear Corporate Governance and Audit Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim Value for Money report for Chichester District Council. The report summarises the findings from our 2022/23 value for money work. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance and Audit Committee meeting on 25 March 2024.

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/auditquality/statement-of-responsibilities/)).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Corporate Governance and Audit Committee and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance and Audit Committee and management of Chichester District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance and Audit Committee and management of Chichester District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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01 Executive Summary

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Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 2022/23 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

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Executive Summary (continued)

Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Director of Corporate Services; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our work. As a result, we have no matters to report by exception in this report.

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Executive Summary (continued)

Reporting

Our commentary for 2022/23 is set out over pages 9 to 13. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see table below) throughout 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements. :

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Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

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Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

EY UK 2023 Transparency Report | EY UK

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02 Value for Money Commentary

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Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities.

The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending. In 2022/23 the Council achieved a surplus of £0.641 million during the year, however this was offset by additional spend approved during the year of £0.805 million, resulting in £0.148 million being drawn down from the General Fund Reserve. The Council originally intended to use £0.808 million from their Revenue Budget Support Reserve to balance the budget during 2022/23 (in line with budget), however this was not necessary. The Revenue Budget Support Reserve was established in previous years to offset the impact of Covid-19 on the General Fund, however in both 2020/21 and 2021/22, as well as 2022/23, the Council has not needed to draw on this reserve.

In March 2023, a meeting of full Council approved the 2023/24 budget. The total Revenue Budget requirement was set at £15.8 million. This is only £0.8 million higher than the requirement for 2022/23. The increase to Council Tax (Band D) was £5.26 (2.99%).

More recently, in February 2024, the Council has produced it's 2024/25 budget. The draft budget assumes a 2.99% (£5.41) council tax rise and adheres to the Council's key financial principles. In line with the Financial Strategy forecast officers prepared a balanced budget for 2024/25 without the use of reserves. However, it is noted that the Financial Strategy anticipates a deficit budget from 2026/27 and beyond.

Throughout 2022/23, the medium-term financial strategy was the "Financial Strategy and Plan 2023-24 to 2027-28". This was presented at the Cabinet meeting in November 2022. This highlighted the following projections:

- 2024/25 = Surplus £656,000
- 2025/26 = Deficit £565,000
- 2026/27 = Deficit £524,000
- 2027/28 = Deficit £467,000

A new medium-term financial strategy was produced by the Council in November 2023 and presented to full Council. This showed an update to the aforementioned projections:

- 2024/25 = Surplus £484,000

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Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

- 2025/26 = Surplus £1,599,000
- 2026/27 = Deficit £1,626,000
- 2027/28 = Deficit £2,895,000
- 2028/29 = Deficit £3,137,000

The largest uncertainty in the medium term relates to Business Rates. The localisation of Business Rates reset is still delayed, but it is anticipated when this new funding regime is implemented the Council will retain approximately £1.5 million less per annum. The new model is currently assuming the change will be implemented in 2026/27, contributing to the change in position in 2025/26 from a deficit to a surplus in the table above.

Chichester District Council implement a Corporate Plan which sets out the Council’s future priorities and objectives. This helps to ensure that:

- The Council manages its resources effectively
- That projects can be delivered by the Council's services and that enough capacity is available to deliver them
- The Council's Cabinet can plan its work
- A framework is provided for evaluating the Council’s performance

The plan works alongside the financial strategy to ensure that staffing and financial resources are allocated appropriately. The plan took effect from 1 April 2022 and will run until 31 March 2025. We note through our discussions with management that the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed plan was taken to Cabinet in January 2024.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council has appropriate arrangements to make informed decisions and manage its risks. There were no recommendations in the prior year in relation to their arrangements.

The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the entity in delivering strategic objectives. This includes both financial and non-financial risks. The register details any risks along with the internal controls, plus any associated action plans to manage those risks. The most recent risk register was produced in March 2023. Risk registers are updated quarterly and considered by the Strategic Leadership Team.

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The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee. The draft internal audit report for 2022/23 states that ""[…] the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control".

The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made. The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions ('key decisions') are to be discussed or made, these are published in the Forward Plan, in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open to the public to attend except where personal or confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to full Council to decide.

We note that no instances of non-compliance have been identified throughout out work, including through internal audit reviews.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

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Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council has appropriate arrangements in place.

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The Plan took effect from 1 April 2022 was due to run until 31 March 2025. However, the May 2023 election resulted in a change of political leadership. The new Leader has been working with the Strategic Leadership Team to develop a new corporate plan, with the intention to have this in place from April 2024. The refreshed Plan was taken to Cabinet in January 2024.

The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements.

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In order to track performance and judge how well the Council are delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods. In addition to the Performance Indicator Updates, an Annual Report is presented to the Council. The most recent report was presented to the 18 July 2023 Council meeting. The report highlights Key Achievements in 2022/23 and Key Areas of Work for 2024 for each of the Cabinet portfolio headings, as well as an annual review of the Performance Indicators.

Achievements by the Council during the year included:

- Launch of the Supporting You Team pilot to deliver support for homelessness
- Delivery of the Council Tax Energy Rebate scheme across the district
- Refurbishment and reopening of the St James Industrial Estate
- Completion of decarbonisation projects at Westgate Leisure Centre
- Recovery of culture services in the district following Covid-19

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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10 Appendices

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Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	Financial Strategy and Medium-Term Financial Strategy (MTFS) The Council produces an annual MTFS covering the current and next 5 years on a rolling basis. The MTFS should have regard to the following criteria: • Be constructed to resource the forthcoming Corporate Plan (see section 3 below for more information on the Corporate Plan); • Identify and quantify all known factors likely to impact on the Council's budget in the medium term (the financial risk matrix); • Use the service review process to identify efficiencies in order to maintain a balanced budget over the medium term; • Have regard to the current and potential legislative and national financial issues; • Community needs and taxation implications. This strategy sets out the key financial principles to be utilised and key actions that need to be undertaken to ensure the Council is able to continue to balance its finances over the medium term. The purpose of the report is to update the Council's financial strategy and action plan to help guide the management of the Council's finances during a period of diminishing resources. Throughout 2022/23, the MTFS in place was the "Financial Strategy and Plan 2023-24 to 2027-28". This was presented at the Cabinet meeting in November 2022. The five year financial model forecast was updated to reflect current assumptions, including government funding, council tax projections, projected costs and planned efficiencies. This update also contains the final year of the three year programme of efficiency savings to be adopted to address the budget deficit as a result of Covid-19 impact. The report notes that it will be necessary to use reserves to help balance the budget in the medium term (from 2025/26 onwards), whilst further efficiencies and income generation options are developed in the medium term. The report states that using reserves to balance the budget is not sustainable in the long term as any deficit will need to be addressed. Full Council approved this approach of balancing the budget over the medium term using reserves to assist in the intervening years so that vital front line services could be protected.

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Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont.)	In July 2020, it was estimated that £8m of reserves would be utilised to cope with the financial impact of Covid-19 however this estimate was reduced to £3m, with £8m allocated in total to balance the budget as required over the medium term. When setting the budget for 2022/23, it was anticipated that £0.8m would be required to balance the budget during the year. As per the Draft Financial Statements, this balance was not required and the full £8m is still available for the Council to use in future years. *Budget setting process* The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed to ensure that resource allocations properly reflect the Council's priorities. The financial strategy based on the rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFS). This strategy is approved by Council, having first been considered by the Corporate Governance and Audit Committee. After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council considers the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place. Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to: • Only incur expenditure or budget provision for which they have approved budgets or specific authority. • Monitor and control revenue and capital expenditure and income under their control. • Submit periodic capital and revenue monitoring reports to members. • On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring. • Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet. *Responsibility of CFO* In relation to Financial Planning, the CFO has a responsibility tom manage the annual budget preparation process in accordance with the Council's budget strategy and budget timetable.

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Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont.)	• Inform Senior Officers and budget managers about the budget strategy, the annual budget timetable and their involvement in the process; • Actively support Senior Officers and budget managers in meeting their budgetary control responsibilities; and • Provide appropriate and accurate financial advice.
How the body plans to bridge its funding gaps and identifies achievable savings	In preparation for the annual budget process the Council's Financial Strategy and the 5 year financial model, including the key financial principles are reviewed. This is in order to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts. To address the impact on the financial position of the Council, the Future Services Framework (FSF) was approved to aid the decision making and action required to work towards a balanced budget over the medium term. The annual budget for revenue spending for 2022/23 was approved by full Council. The budget incorporated the second year of the efficiency savings identified in the Future Services Framework. *Future Services Framework* In July 2020, the "Future Services Framework" was presented to Cabinet. This was introduced following the Covid-19 pandemic and detailed how the Council will challenge how they provide their services in order to ensure the continued delivery of services in the most efficient and effective manner. This proposal was broken down into three sections; Efficiency savings, Policy Options and Service prioritisation. This framework was initiated to allow the Council to continue to provide key services to support its communities through a period of uncertainty and increased need due to the Covid-19 pandemic. An update to the FSF was taken to Cabinet in January 2023 and is based on the results of an exercise completed by all members in August 2022 to identify the Council's priority non-statutory services to ensure resources are targeted to the highest priority areas. This service prioritisation is embedded within the Council's annual planning cycle and requires members to consider services and prioritise the non-statutory services each year.

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Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objective. This helps to ensure that: • the Council manages its resources effectively; • that projects can be delivered by the council's services and that enough capacity is available to deliver them; • the Council's Cabinet can plan its work; and • a framework is provided for evaluating the Council's performance. The Council's Corporate Management Team and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Progress on the corporate priorities and the key projects are monitored and discussed on a monthly basis by the SLT and Cabinet. In addition to this, they are reviewed by the SLT and leaders of the opposition groups through informal meetings. A Corporate Plan was approved by Council on 25 January 2022. The Corporate Plan sets out the Council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The current plan shows the challenges and opportunities facing the Council over the plan period. The priorities are: • Homes for All • Thriving Economy • Supported Communities • Financial Prudence • A Cared for Environment As noted above, the Financial Strategy and Plan has regard to the corporate plan, therefore, ensuring the consistency of financial strategy with the corporate strategy. Ultimately the responsibility of ensuring the continued delivery of service lies with the Full Council. The Constitution sets out the role of Full Council and explains that the "Council is the policy making body from which the Policy Framework will be

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	established and the budget set. Council has responsibility for ensuring that the correct structures are in place for the effective implementation and delivery of its services. This includes the exercise of overall responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. This demonstrates that the full Council hold overall responsibility of ensuring that sustainable delivery of services is achieved.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. We note that throughout the financial planning i.e. budget and MTFS, consideration of other plans such as capital and treasury management also take place. The Financial Strategy and Plan incorporates the revenue effect of capital and other investment decisions, and those impacting the workforce as a whole. The Capital Programme is based upon the Corporate Plan and the Sustainable Community Strategy which identifies the need for investment. The capital strategy implemented by the Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a capital programme on recommendation from the Council's Cabinet. This programme consists of significant projects that qualify as capital expenditure and a planned programme of scheduled asset replacements. The Council uses the following key principles in determining its capital priorities: • All key decisions of the Council should relate back to the Corporate Plan. • The revenue budget and capital programme must remain balanced and sustainable over a rolling 5 year period. • The Council will not use its reserves to fund ongoing services, and maintains sufficient levels of reserves to allow flexibility to respond to change. • Savings in the revenue budget or external funding are identified before any new revenue expenditure, including capital expenditure that has revenue consequences, or any reduction in planned income is approved. The Treasury Management strategy is concerned with keeping sufficient but not excessive cash available to meet the

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Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (cont.)	Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing (we note there is currently no external borrowing). Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The annual budget setting and MTFS process is set out above. Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks. The Council also operates a "Strategic Risk Group" made up of three members of the Cabinet and three members of the Corporate Governance and Audit Committee with responsibility for risk and governance. These arrangements come together, linking the Corporate Plan and its risk assessment, through to the financial plans and implications, as part of the ongoing monitoring of performance and then the annual refresh associated with developing the annual budget.

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Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has an effective strategic risk management framework and register to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks. The Council maintains a strategic risk register. The register details any risks along with the internal controls in place, plus any associated action plans to manage those risks. Updates to the risk register are discussed in the Corporate Governance and Audit Committee on a bi-annual basis. All risk registers are updated quarterly and considered by the SLT. *Fraud Prevention Report* A “Fraud Prevention Report” is presented to the Corporate Governance and Audit Committee annually which details the arrangements in relation to the prevention and detection of fraud within the Council and to confirm that there are adequate resources available to carry out all investigations and identify the risks of potential frauds across all Council services. The report shows achievements to date and also looks forward to the year ahead to consider what the potential risks might be. The most recent report was presented to the Corporate Governance and Audit Committee in July 2023. *Internal Audit* The Council has an internal audit function. The internal audit service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of such internal controls. The findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee. Both the signed 2021/22 internal audit report and draft 2022/23 internal audit report state that ‘satisfactory’ assurance can be given, and generally that there is a sound system of internal control.
How the body approaches and carries out its annual budget setting process	*Budget Setting Process* The Council has a statutory duty to prepare a balanced annual revenue budget. The Council’s budget must be constructed to ensure that resource allocations properly reflect the Council’s priorities, as set out above with reference to the corporate plan.

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Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body approaches and carries out its annual budget setting process (cont.)	A financial strategy based on a rolling five-year cycle is risk assessed by the Corporate Governance and Audit Committee. This sets out the likely envelope of resources available to the Council over the following five years for both revenue and capital spending (see section above on MTFS). This strategy is then approved by Council. After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council will consider the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place. Prior to this approval, a member of the Budget Review Task and Finish Group considers the draft annual spending plans and the outcome of this review is normally reports to the January meetings. Each of the Council's budgets will be delegated to a designated budget manager. Budget managers have the responsibility to: • Only incur expenditure or vire budget provision for which they have approved budgets or specific authority. • Monitor and control revenue and capital expenditure and income under their control. • Submit periodic capital and revenue monitoring reports to members. • On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring. • Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate is submitted to Cabinet.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	See Section above. Both revenue and capital monitoring take place on a quarterly basis, with a summary report being produced for consideration by the SLT. All budget managers have access to the Council's GL system in order to review actual performance against budget. The queries outlined below can be produced as and when required to help with budget monitoring: • Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget.

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Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (cont.)	• Compare the profiled budget to all income, expenditure, and commitments as at the end of the last completed month. This query will show the variance to date for budget monitoring purposes. • Compare the annual budget with the full year income and expenditure for the last complete financial year. In addition to this budget managers receive a monthly budget monitoring report generated automatically by the GL system. This report also acts as a prompt to the budget manager to review their budgets using the live system in order to review anomalies and take appropriate action and/or seek assistance from the finance team when necessary. A member of the finance team will then meet with the budget manager on a quarterly basis to review the year to date position and produce an outturn forecast for the service area. The forecasts are then consolidated into a single summary for senior management to consider. Once the review has taken place, the monitoring report is published on the Council's website.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council has a number of arrangements to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made. The Constitution states that all decisions are made in accordance with the following principles: • within legal and financial parameters; • proportionality (i.e. the action must be proportionate to the desired outcome); • due consultation and the taking of professional advice from officers; • respect for human rights; • a presumption in favour of openness; • clarity of aims and desired outcomes; • promotion of equality; • reduction in crime and disorder; • sustainability; and • compliance with members' and officer codes of conduct.

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Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont.)	*Full Council* The Constitution sets out the role of full Council and explains that the "Council is the policy making body from which the Policy Framework will be established". *Cabinet* The Cabinet is the part of the Council which is responsible for operational decisions. When major decisions ('key decisions') are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. Decisions are submitted to Cabinet using a standard report structure. All reports to Cabinet are reviewed by the responsible director who signs them off. These are then reviewed and signed off collectively by the Strategic Leadership Team (including S.151 Officer) and also by the Monitoring Officer. The reports are only finalised for inclusion in Cabinet agendas when "signed off" by all parties. *Overview & Scrutiny Committee* The roles and responsibilities of the Overview and Scrutiny Committee are set out within the Constitution and are summarised below: • to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions; • to make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of its functions including performance monitoring, and the development and review of Council policies; • to consider matters affecting the area or its inhabitants and to act as community champion in reflecting the views and interests of the community; • to exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet;

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Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont.)	• to consider reports and recommendations received from the West Sussex Joint Scrutiny Steering Group and/or any task and finish group set up to carry out a joint scrutiny review and ensure that the report and recommendations are dealt with in a suitable manner and referred on to the Cabinet and/or Council for a decision, as appropriate. *Corporate Governance and Audit Committee* The Corporate Governance and Audit Committee is independent of the executive and scrutiny functions and embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	We have inspected the website of the Council, and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives. The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers, including a Code of Conduct for Councillors and a separate one for staff. The Code of Conduct has been created to support "all tiers of local government to continue to aspire to high standards of leadership and performance" and to assist individuals with the behaviour that is expected of them. Included within this Code of Conduct there is a section of "guidance to members on the offer, acceptance and declaration of receipts of gifts and hospitality". This guidance sets out the members' obligations to declare gifts and hospitality received in their "official capacity as members of the Council". Officers also have to declare any gifts and hospitality offered and approval sought prior to acceptance, if deemed appropriate.

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Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	*Corporate Plan* The Council implements a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that: • the Council manages its resources effectively; • that projects can be delivered by the Council's services and that enough capacity is available to deliver them; • the Council's Cabinet can plan its work; and • a framework is provided for evaluating the Council's performance.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Both Cabinet and opposition leaders consider performance on a monthly basis through informal meetings with SLT. The Corporate Plan which sets out the Council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The Corporate Plan is reviewed annually to ensure that the key projects and measures are still relevant, important and are continuing to achieve the outcomes that have been set. *Performance Information* In order to track performance and judge how well the Council is delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparisons to other periods.

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Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Constitution states that the Council is able to: • enter into arrangements or agreements with any person or body; • co-operate with, or facilitate or co-ordinate the activities of, any person or body; and • exercise on behalf of that person or body any functions of that person or body. In order to manage these arrangements, the Council may appoint joint committees with the other party to oversee and make decisions in relation to the arrangement. In the ordinary business of Council meetings, Council is to receive reports, and receive questions and answers, on the business of any joint arrangements. This enables the effective monitoring of these arrangements and ensures that Council is held accountable by any stakeholders. The Corporate Governance and Audit Committee also receive an "Annual Partnership Report". This report acts as a mechanism to ensure that strategic partnerships have appropriate governance measures in place and ensure that all risks are monitored adequately. This report details the individual partnerships that the Council is involved with and provides a risk assessment matrix in relation to each partnership.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council has in place "Contract Standing Orders". This information is laid out within the Constitution and sets out the procedures that that must be followed in relation to the procurement and award of a Contract. These are intended to promote good purchasing practice and public accountability and deter corruption. The Standing Orders go through each step of the Contract process detailing the minimum requirements for all Contracts taken out by the Council. Officers undertaking procurement exercises on behalf of the Council are supported by the Procurement Service (including external support from Hampshire County Council's Procurement Service) to aid compliance. In addition to this any necessary training including updates or refresher training is given to these Officers to ensure that these individuals have up to date skills and knowledge to perform these procurement exercises.

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ED None

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Chichester District Council

Corporate Governance and Audit Committee 25 March 2024

2023-24 Accounting Policies

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2. Recommendation

The Committee is requested to consider this report and approve the updated accounting policies in the preparation of the Council's 2023-24 financial statements.

3. Background

3.1. The Council applies the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) in preparing its accounts. The Code is reviewed continuously and is normally updated annually. The 2023-24 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2023.

3.2. The committee should note that the external audit review of the Council's statement of accounts for 2022-23 is still outstanding. Guidance is still awaited by the external auditors from the Department of Levelling Up, Housing and Communities regarding their response to the consultation that has been completed on the outstanding audits in local government.

4. Changes to the Council's 2023-24 financial statements and accounting policies

4.1. CIPFA/LASAAC introduced the following amended standards into the 2023-24 Code. These are:

- Definition of Accounting Estimates (amendments to IAS 8) – Issued in February 2021
- Disclosure of Accounting Policies (amendments to IAS1 and IFRS Practice Statement 2) – Issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12) – Issued in May 2021

- Updating a Reference to a Conceptual Framework (amendments to IFRS 3) – Issued in May 2020

4.2. A summary of the key principles introduced by these amended standards, and if applicable to the Council, the changes that are recommended for inclusion in the Council's accounting policies are detailed in Appendix 1.

4.3. The adoption of these amended standards in the 2023-24 Code do not constitute a change in accounting policy, which would normally require restatement of the previous year's accounts.

4.4. Other than the update for IFRS16, no other significant changes have been required on the accounting policies that were approved by the Committee for the 2022-23 statement of accounts.

4.5. Unfortunately, CIPFA has yet to issue its year end bulletin for 2023-24 of the accounting standards that have been issued but have not yet been adopted. However, based on a recent training event officers are aware of the following accounting standards in the draft 2024-25 Code:

- IFRS 16 Leases (Issued January 2016)
- Classification of Liabilities as Current or Non-current (amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (amendments to IFRS 16)
- Non-current Liabilities with Covenants (amendments to IAS 1)
- International Tax reform: Pillar Two Modal Rules (amendments to IAS 12)
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7)

The 2024-25 Code will provide details of the disclosures required for these changes, which will then aid officers in their assessment of whether these standards will apply or have any significant impact on the Council's accounting policies.

4.6. In the interim, CIPFA has confirmed in the 2023-24 Code that the mandatory introduction of IFRS 16 Leases will be from 1 April 2024. The implementation of this standard has been delayed since it was issued in 2016. Due to the delays, officers have completed their preparation work including a draft policy as detailed in appendix 2. This will enable an assessment, as part of the 2023-24 closedown process, as to whether this and any other issued but not yet adopted standards are judged to have any material impact on the Council's financial statements for 2023-24.

4.7. IFRS 16 requires changes to how leases are reported within the financial statements. There is very little change where the council is acting as the lessor (leasing out its own assets), however where we are the lessee (leasing in assets not owned by the council), these assets will now need to be identified and shown in the financial statements where they exceed our quantitative materiality level (see paragraph 4.11).

At this time, officers do not consider that the leases identified to date will exceed this threshold.

4.8. To assist the members of this new administration, following the May 2023 local election, appendix 3 is the full accounting policy disclosure which will be incorporated into the Council's Statement of Accounts for 2023-24. So as to aid the Committee's consideration of the updated Council's Accounting Policies for 2023-24.

4.9. The Council's definition of materiality can also remain unchanged:

"An item would be considered material to the financial statements if, through its omission, misstatement, obscuring or non-disclosure, it could reasonably be expected to influence the decisions of the users of these financial statements and therefore no longer show a true and fair view"

4.10. The accounting policies and disclosure notes presented in the Council's Financial Statements will abide by the following principles to avoid excessive detail which may obscure key messages:

(a) For accounting policies, only those that are material to a reader's interpretation of the accounts rather than significant will be included.

(b) For disclosure notes, unless the note is qualitatively material (see paragraph 4.9) or required by statute, the note will not be prepared or will be replaced by a shorter text disclosure.

4.11. In determining if a disclosure note contains material information or not, both qualitative and quantitative aspects of materiality will be considered. There is no reason to alter the Council's current quantitative materiality level of £1,000,000 for the total of any income, expenditure, assets, or liabilities disclosed in a single note.

4.12. The following disclosures will be prepared, even if they are immaterial as they are of heightened interest to readers (qualitative materiality):

(a) Members' allowances
(b) Officers' remuneration
(c) External Audit Costs
(d) Related Parties
(e) Termination benefits
(f) Market risk exposure for Financial Instruments
(g) Investment property income and expenditure

4.13. The committee should also note that the IFRS 9 statutory override for charging any movements in the fair value of our external pooled funds to a reserve, rather than against council tax, will end on 31 March 2025. This change will impact the statement of accounts for 2025-26 and beyond. The Committee should note that, following the recent decision by Council in February, at its budget setting meeting, that Council approved a further £1.11m to be transferred to the Investment Risk Reserve. This reserve now stands at £4m as the mitigation for this potential risk for the movement in fair value of the long term investments. The fair value movements of these investments will be assessed and quantified as part of the Council's future Annual Statement of Accounts.

5. **Resource and legal implications**

5.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA's Code of Practice for Local Authority Accounting in preparing its accounts.

6. **Consultation**

6.1. Not applicable

7. **Community Impact and Corporate Risks**

7.1. None

8. **Other Implications**

Are there any implications for the following?		
	Yes	No
Crime and Disorder		X
Biodiversity and Climate Change Mitigation		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X

9. **Appendices**

9.1. Appendix 1 – Impact of the Amended Standards in the 2023-24 Code and the recommended Changes to the 2023-24 Accounting Policies
9.2. Appendix 2 – Draft IFRS 16 Accounting Policy for adoption for 2024-25 Statement of Accounts.
9.3. Appendix 3 - Draft Accounting policies for the Council's Statutory Accounting Statements for 2023-24.

10. **Background Papers**

10.1. None.

Appendix 1

Key Changes for the 2023-24 Code due to the Amended Standards

1. Definition of Accounting Estimates (Amendments to IAS 8)
    - The change in this standard is to clarify the distinction between the changes in accounting estimates and changes in accounting policies and the correction of errors.
    - The disclosures in the accounts need to ensure that any changes are correctly treated in accordance with the Code.

    Response - No specific changes are required in the Draft Accounting Policies.

2. Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
    - To consider those accounting policies that have a material impact rather than just those that have a significant impact
    - To ensure that materiality considers both qualitative and quantitative factors to aid the users understanding of the accounts
    - Disclosure of immaterial information should be avoided to ensure that material items are not obscured
    - Disclosures should focus on the end user of the accounts to understand other material information, complex areas, or changes

    Response - No changes are required to the Council's accounting policies as the impact of these requirements are already reflected in the draft accounting policies.

3. Deferred Tax related to Assets and Liabilities from a Single Transaction (Amendments to IAS 2)
    - This standard only applies for authorities that are required to produce group accounts and therefore does not apply to the District Council.

4. Updating a reference to the Conceptional Framework (Amendments to IFRS 3)
    - IFRS 3 is in relation to business combinations and acquisitions. There was only a minor change to this standard.

    Response - As this situation does not apply to the activities of the District Council, no change is required to the accounting policies.

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Appendix 2 - Draft - Proposed Accounting Policy- IFRS 16

3. Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

For 2023-24 the following accounting standard changes that need to be reported relate to:

- Adoption of IFRS 16 - The CIPFA/LASAAC Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) until the **2024/25 financial year**.

The Council does not presently expect this standard to have a material effect on the presentation of future financial information or transactions but has nevertheless commenced a review of existing contracts and service arrangements to assess the likely impact.

This is necessary as from 1 April 2024 the Council will be required to recognise in the balance sheet 'right-of-use' assets at fair value using discounted cash flows based upon lease rental payments. This is expected to apply principally to arrangements where the Council is the lessee and benefits from the use of assets supplied by a third party.

Lessor accounting arrangements, whereby the Council allows use of its own assets to others, remain largely unchanged, although in some cases it could result in the de-recognition of assets previously reported on the balance sheet where the terms under which they are made available confer a right of use to others.

For the purposes of assessing whether a "right of use exists", and therefore whether to recognise or de-recognise assets on the balance sheet together with any corresponding liability for future rental payments, the Council will apply prevailing guidance within the CIPFA Code of Practice. Where assets are recognised on the balance sheet this will also result in depreciation charges to service revenue accounts over the term of the lease rental payments.

Where the Council is lessee, there will also be a revenue charge for interest payable on the value of outstanding rentals, calculated by reference to the interest rate implicit in the lease. Where the rate is not known or determinable, it is proposed that the interest shall be charged at a rate commensurate with the PWLB annuity borrowing rate for the fair value of the assets obtained and for the term of the lease.

There is no requirement to reassess whether existing contracts in place on 1 April 2024 (the initial IFRS 16 application date) are, or contain, a lease except for those provided at nil consideration or below market rate. Thus, the Council shall retain the lease classifications obtained under previous assessments for contracts and service arrangements in place at, and continuing beyond, 1 April 2024

As permitted within the accounting Code of Practice, the Council shall also apply the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Exemptions shall also be applied to the extent that they are available in respect of licences of intellectual property, service concession arrangements, and rights held by a lessee under licensing agreements.

The Council also has discretion to determine a “low-value assets” recognition exemption. Lease payments on short-term leases and leases of low-value assets shall be recognised as an expense on a straight-line basis over the lease term.

Based upon the Council’s assets and contract values reviewed in 2023/24 the proposed upper threshold for the “low-value assets” recognition exemption value for right to use leased assets from 2024/25 is:

	Individual Assets	Class of Assets
Land	£150k	£1.5m
Buildings	£150k	£1.5m
Vehicles, Plant & Equipment	£25k	£200k
Infrastructure	£150k	£1.0m
Heritage Assets	£50k	£150k
Investment Property	£150k	£1.5m

Examples		
Land	Single plot	Multiple Plots
Buildings	Single Building	Multiple Blds (eg Public Conveniences/Leisure Centres)
Vehicles	Single Vehicle	Vehicle Fleet
Infrastructure	Adjoining Land Strip	Multiple Land Strips
Investment Property	Single Industrial Unit	Industrial Estate of multiple units

The proposed limits above shall be reviewed and confirmed following further work to review the impact of IFRS 16 during the 2024/25 transition period and consultation with the Council’s external auditors.

Appendix 3 – 2023-24 Draft Accounting Policies

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023-24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Going Concern

The requirements set out in the Accounting Code of Practice in respect of going concern reflect the economic and statutory environment in which the Council operates. These provisions confirm the Council has no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e. management deciding to liquidate the entity or cease trading).

The Council's Section 151 officer has a duty each year to provide a statement on the robustness of the Council's budget and adequacy of reserves. The latest statement can be found in the Council's published budget papers associated with the meeting of the Cabinet on 6 February 2024. This meeting also considered the Council's Treasury position and projections within the Council's Treasury Management strategy for 2024-25. Both these documents are underpinned by the Council's financial strategy, originally approved in November 2023 and subject to regular updates in line with Council priorities and the evolving economic picture. There has been no material deterioration on the Council's resources of liquidity since that date that would invalidate the analysis and conclusions reached by the Section 151 officer.

Conclusion

The Council has sufficient cash to ensure its liquidity and has set a balanced budget for 2024-25 whilst maintaining adequate reserve cover in line with its medium financial plan and wider financial principles. The Council forecasts that it will have sufficient revenue reserves to cover foreseeable operational activity over the next 12 months.

The Authority's section 151 officer is satisfied, pursuant to section 25 of the Local Government Act 2003, that these forecasts remain robust as at the date of authorisation of these accounts and are likely to remain so for a period extending 12 months from this date.

These accounts have therefore been prepared on a going concern basis; assessed up to September 2024.

1.3 Recognition of Income and Expenditure

In recognising revenue from contracts with service recipients, the Council differentiates between:

- Exchange Transactions, in which the Council directly receives consideration of approximately equal value for the provision of assets or services, or has liabilities extinguished in return for these goods or services; and,

- Non-exchange Transactions where the Council receives value from another entity without directly giving approximately equal value in exchange; or where the Council gives value to another entity without receiving approximately equal value in exchange.

For non-exchange transactions, the Council recognise revenue when it is probable that the economic benefits associated with the transaction will flow to the authority, and the amount of the revenue can be reliably measured.

For revenues from exchange transactions arising from contracts, revenue is recognised in a way that reflects the pattern in which goods or services are transferred to service recipients and performance obligations are fulfilled, subject to the following paragraph.

For services where the recipient consumes continuing services as they are provided (generally these are the routine and recurring activities undertaken by the Council on a regular basis) the Council recognises revenue when it has a right to invoice for services or goods provided. The largest area of income that this relates to the Council's commercial and domestic waste collection services.

Where the Council makes charges in advance for individual services carried out in fulfilment of a statutory or contractual responsibility these charges will be recognised when the Council's performance obligation is discharged.

Revenue from the sale of goods not covered by the above principles is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Discontinued Operations

Operations may be discontinued because of an asset or disposal group being put up for sale, and not simply transferred to another part of the public sector. Transactions relating to operations that are discontinued are presented separately on the face of the Comprehensive Income and Expenditure Statement and the Balance Sheet (including prior period comparatives).

1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and held by the Council for the purpose of meeting its short-term cash requirements.

In the Cash Flow Statement, cash and cash equivalents may be shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

1.6 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

1.7 Accounting for Taxation

Under the Code, taxation income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year. The difference between the taxation income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to a Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of taxation is in substance an agency arrangement, the Council as the billing authority recognises a creditor in its Balance Sheet for cash collected from taxpayers on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of it receiving the cash from taxpayers.

1.8 Employee Benefits

i. Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

ii. Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and

Expenditure Statement.

iii. Post-employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.
Scheme Liabilities are discounted to their value at current prices, using a discount rate of 4.75%. The discount rate used to value scheme liabilities is either:

- For Government bonds, yield curves provided by the Bank of England;
- For Corporate bonds; a "Hymans Robertson" corporate bond yield curve constructed based on the constituents of the iBoxx AA corporate bond index.

Separate discount rates are set for individual employers, dependent upon their own weighted average duration (or term) of their benefit obligation.

The assets of West Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- un-quoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

1.9 Events after the reporting period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.10 Financial Instruments and Investments

Financial Instruments.
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments or any assets which have been materially affected by interest rate benchmark reform at 31 March 2024.

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Assets
A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Classification and Measurement of Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are two classes of financial assets measured at:

- amortised cost; and,
- fair value through profit or loss (FVPL).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model
Expected credit losses for financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables with a significant financing component.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses.

For trade and contract receivables without a significant financing component the Council has applied a simplified approach consistently to calculate expected credit losses, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition.

In accordance with the Code of Accounting Practice, no impairment loss allowance is recognised for monies owed by Central and Local Government bodies.

Fair Values

Fair values are shown in note 15, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
    - For the Council's investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in the principal market within which the Council would normally conduct a transaction to sell the asset.
    - For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Other financial instruments are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2024, using the following methods and assumptions:

- The fair values of other long-term loans and investments have been discounted where required at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate corporate bond yield, except where it is judged that this is not appropriate.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The Council has not to date designated any Financial Assets as fair value through other comprehensive income.

1.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

1.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

1.13 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Property plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of future lease rentals of the minimum lease rentals, if lower).

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.
Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

1.14 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

When new assets are first acquired and recognised on the balance sheet as a non-current asset, the total value of the asset must be over the £10,000 de minimis.

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost,
- all other assets – fair (or current) value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer,
- infrastructure, vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Only assets with a gross book value of £500,000 and over are considered for componentisation.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

1.15 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

1.16 Section 106 Developer Contributions

Section 106 advances received are initially recognised as a creditor in the Council's accounts whilst the monies remain unspent to reflect the liability the Council has to the developer if the agreement is not fulfilled. Once the conditions of the agreement are met the advances are recognised as revenue income or capital contributions.

1.17 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. For 2023-24 no VAT is included as expenditure in these financial statements as the Council was able to recover all input VAT incurred on its purchases under s.33 of the Value Added Tax Act 1974.

2. Impact of accounting standards adopted in 2023-24

There are no new or amended accounting standards introduced during 2023-24 that have a material impact on the Council's financial statements.

Appendix 3 – 2023-24 Draft Accounting Policies

3. Accounting standards that have been issued but have not yet been adopted

The following accounting standard changes are proposed for adoption into the 2024-25 Accounting Code of practice (being the relevant year of account) that could have a material impact on the entries recorded in these financial statements.

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

For 2023-24 the following accounting standard changes that need to be reported relate to:

- Adoption of IFRS 16 - The CIPFA/LASAAC Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) until the **2024/25 financial year**.

The Council does not presently expect this standard to have a material effect on the presentation of future financial information or transactions but has nevertheless commenced a review of existing contracts and service arrangements to assess the likely impact.

This is necessary as from 1 April 2024 the Council will be required to recognise in the balance sheet ‘right-of-use’ assets at fair value using discounted cash flows based upon lease rental payments. This is expected to apply principally to arrangements where the Council is the lessee and benefits from the use of assets supplied by a third party.

Lessor accounting arrangements, whereby the Council allows use of its own assets to others, remain largely unchanged, although in some cases it could result in the de-recognition of assets previously reported on the balance sheet where the terms under which they are made available confer a right of use to others.

For the purposes of assessing whether a “right of use exists”, and therefore whether to recognise or de-recognise assets on the balance sheet together with any corresponding liability for future rental payments, the Council will apply prevailing guidance within the CIPFA Code of Practice. Where assets are recognised on the balance sheet this will also result in depreciation charges to service revenue accounts over the term of the lease rental payments.

Where the Council is lessee, there will also be a revenue charge for interest payable on the value of outstanding rentals, calculated by reference to the interest rate implicit in the lease. Where the rate is not known or determinable, it is proposed that the interest shall be charged at a rate commensurate with the PWLB annuity borrowing rate for the fair value of the assets obtained and for the term of the lease.

There is no requirement to reassess whether existing contracts in place on 1 April 2024 (the initial IFRS 16 application date) are, or contain, a lease except for those provided at nil consideration or below market rate. Thus, the Council shall retain the lease classifications obtained under previous assessments for contracts and service arrangements in place at, and continuing beyond, 1 April 2024

Appendix 3 – 2023-24 Draft Accounting Policies

As permitted within the accounting Code of Practice, the Council shall also apply the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Exemptions shall also be applied to the extent that they are available in respect of licences of intellectual property, service concession arrangements, and rights held by a lessee under licensing agreements.

The Council also has discretion to determine a "low-value assets" recognition exemption. Lease payments on short-term leases and leases of low-value assets shall be recognised as an expense on a straight-line basis over the lease term.

Based upon the Council's assets and contract values reviewed in 2023/24 the proposed upper threshold for the "low-value assets" recognition exemption value for right to use leased assets from 2024/25 is:

	Individual Assets	Class of Assets
Land	£150k	£1.5m
Buildings	£150k	£1.5m
Vehicles, Plant & Equipment	£25k	£200k
Infrastructure	£150k	£1.0m
Heritage Assets	£50k	£150k
Investment Property	£150k	£1.5m

Examples		
Land	Single plot	Multiple Plots
Buildings	Single Building	Multiple Blds (eg Public Conveniences/Leisure Centres)
Vehicles	Single Vehicle	Vehicle Fleet
Infrastructure	Adjoining Land Strip	Multiple Land Strips
Investment Property	Single Industrial Unit	Industrial Estate of multiple units

The proposed limits above shall be reviewed and confirmed following further work to review the impact of IFRS 16 during the 2024/25 transition period and consultation with the Council's external auditors.

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Chichester District Council

Corporate Governance & Audit Committee **25th March 2024**

Risk Management Update 2023-24

1. Contacts

Report Author:
Stephen James – Internal Audit & Corporate Investigations Manager
Tel: 01243 534736 E-mail: sjames@chichester.gov.uk

2. Recommendation:

2.1. That the Committee notes the updated Strategic Risk Register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.

3. Background

3.1. Under the governance arrangements as set out in the Council's Risk Management Strategy and Policy, the Committee should receive the outcome of the Strategic Risk Group's (SRG) review of the risk registers at least twice a year.

3.2. The Committee last received a risk management update report at its meeting of 26 October 2023, and was reported to the Corporate Governance & Audit Committee on the 30 October 2023.

4. Outcomes to be achieved

4.1. The Strategic Risk Register and the high scoring Organisational Risk items that are current, and relevant to the Council and its operation, and that those risks are well managed in accordance with the Council's Risk Management Strategy and Policy.

5. Risk Management Policy and Strategy

5.1. The change from quarterly to twice a year, is because the risks do not significantly change between each assessment period. Also risk management is embedded within the organisation and the protocols in place are adhered to, especially on significant service risk areas and major projects which are considered regularly by officers in the interim of the formal reviews by the SRG.

6. Update on the Strategic Risk Register

6.1. Appendices 1(a) and 1(b) (part 2) show the updated risk register considering the comments and recommendations from SRG.

6.2. The risk map below shows the risk numbers and where they currently appear on the heat map for the strategic risk register:

LIKELIHOOD	4 (Almost Certain)		**188**	**147**	
	3 (Probable)		**9, 97,148**	**185**	**1, 196**
	2 (Possible)			**8, 189**	
	1 (Unlikely)				**68**
		1 (Minor)	2 (Moderate)	3 (Substantial)	4 (Major)
IMPACT					

Key to Risk Numbers:

1 = Financial Resilience, **8** = Skills, Capability/Capacity, **9** = Business Continuity, **68** = Health & Safety, **97** = Cyber Risk across ICT estate, **147** = Southern Gateway Regeneration, **148** = Local Plan, **185** = Increase in Homelessness Service Demand Due to Increased Cost of Living and Ukraine Sponsorship Programme Impact, **188** = Climate Emergency Detailed Action Plan, **189** = Crouchlands Lagoon 3 **196** = Managing Selsey's Aging Sea Defences

6.3. There are 11 strategic risks, 6 of which are considered to be controlled, whereas the other remaining 5 have controls pending, which is where actions are still in progress to control or mitigate the risk.

Appendix 1(a) & 1 (b) Confidential (Part 2) shows the latest position of the Strategic Risk Register.

The Waste Reforms Project Initiation Document (PID) plus the full report was sent to Cabinet in February, some risks have been identified however, this will need to go to Full Council in March. Once all known risks have been identified and reported to Full Council this will be included in the Strategic Risk Register and will be reported to the Strategic Risk Group in October.

6.4. This half year the strategic risks' scores have remained unchanged since they were last reviewed with the exception being CRR 148 Local Plan which has reduced. Although the Waste Reforms has been identified further work is required and is still work in progress, no other strategic risks have been identified.

CRR 148 – Local Plan – The risk score has reduced from 6 to 4. Given the difficulties facing the plan, the lower (than 5 years) level of housing supply and the weight to be attributed to the benefits of further housing provision it is therefore considered that the likelihood of a loss of control over development is 2. With the continued use of the Interim Position Statement for Housing Development it is considered the impact is 2.

7. Update of the Organisational Risk Register

7.1. Appendix 2 sets out the summarised report of all the High Scoring organisational risks and their scores.

7.2. The heat map below shows the current high scoring risks from the organisational risk register:

LIKELIHOOD	4 (Almost Certain)		**19, 118**	**115**	
	3 (Probable)		**18, 58, 61, 62, 74, 112, 157**		
	2 (Possible)			**195**	
	1 (Unlikely)				
		1 (Minor)	2 (Moderate)	3 (Substantial)	4 (Major)
		IMPACT			

Services Areas for the High Scoring Risk Items:

Growth & Place Directorate
Growth & Property Division – 58,61,62,157

Housing & Community Directorate
Housing, Revenues & Benefits Division – 74,112,195

Planning and Environment Directorate
Development Management Division – 18, 19, 115
Planning Policy Division – 118

7.3. Appendix 2 sets out the mitigation plans to manage the high scoring risks declared in the heat map.

7.4. For this review there are 11 identified high scoring risks associated with the current 2023-24 service plans and reflect the risks associated with the new services plans for 2024-25. Two risks have changed CRR18 Planning – Lack of staff resources to meet caseload has reduced from 6 to 4 and CRR 19 Planning – Unforeseen large / strategic scale applications and large scale appeals unable to be absorbed into workloads of existing staff has reduced from 8 to 6. All organisational risks are monitored by the relevant service area and escalated as necessary.

8. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change and Biodiversity:		X
Human Rights and Equality Impact:		X
Safeguarding and Early Help:		X
General Data Protection Regulations (GDPR):		X
Health and Wellbeing:		X

9. Appendices

9.1 Appendix 1 (a) – Strategic Risk Register
9.2 Appendix 1 (b) - Strategic Risk Register (Part 2 Confidential)
9.3 Appendix 2 - High Scoring Organisational Risks

10. Background Papers

10.1 None

Corporate Risk Register - Strategic Risks Detail

Appendix 1a

Management Control Pending

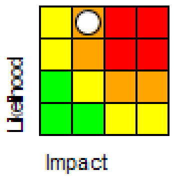
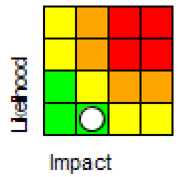
CRR 188	**Climate Emergency Detailed Action Plan**	**Management**	Control Pending
		Corporate Links	

The Climate Emergency Declaration made by Council in January 2020 led to the Council approving detailed Climate Emergency Action Plan in January 2021 which includes achieving a 10% reduction year on year on both an internal carbon target and a district wide target. It must be noted that as the Councils internal emissions account for only 0.5% of the district emissions the cost benefit of all internal projects must be considered against completing priorities. The risk of failing to achieve the internal 10% carbon reduction increases if delivery of carbon saving projects identified in the action plan are delayed due to lack of funding or staff resource. The external target is not going to be achieved and is not within the Council's remit. It is included as a call to arms, to add transparency to the Council's Climate Emergency Declaration as to what is needed. A risk arises from on-going pressure by interested local groups and individuals who are closely monitoring the Council's performance and who perceive the Council to be failing to deliver climate emergency actions not within the action plan or to deliver actions within the plan to a bigger scale or to a tighter timescale. A further risk arises from the Government not delivering manifesto pledges and delays in enacting legislation essential to support the climate emergency work. This risk has increased in recent months due to the economic situation in the country

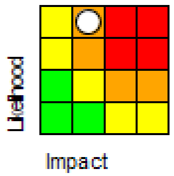
SLT Risk Owner: Andrew Frost/John Ward/Jane Hotchkiss

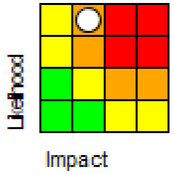
Responsible Officer: Alison Stevens/Kevin Carter/Sarah Peyman

Original and Target Risk Assessment

Original Risk Date	08-Jun-2021		**Target Risk Date**	31-Mar-2025	
Original Risk Score	8		**Target Risk Score**	2	

Current and Previous Quarter Risk Assessment

Current Assessment Previous Quarter Assessment	15-Feb-2024		8

	13-Sep-2023		8

Internal Controls		Current Status
SMART Measures	1. Project specific targets developed for each project. Monitoring progress against targets agreed. 2. Monitoring progress against targets agreed.	In progress
Council Assets - Feasibility Studies & Internal Targets	1. Council assets to be assessed by an external consultant to develop actions and targets to meet the Climate Action Plan objectives. These reports by Pope have been completed. The reports have been used to inform electrical infrastructure needs at the depot and whether to apply for Public Sector Decarbonisation funds for Grange leisure centre. 2. Westgate Decarbonisation project. This is largely complete, but we do not have a date for the remaining tasks that centre on monitoring energy use being completed. 3. Investigation of a Power Purchase Agreement with a local to-be-built solar farm.	In progress
Fleet Review	1. Review of Council fleet and fuel used. 2. Evidence required from test acquisitions for alternative fuel usage e.g. electric vehicles etc. Two electric vehicles arrive for pilot use in the first quarter 2023.	In progress
External Targets	1. Deliver a communication and engagement plan to encourage behaviour change. 2. Delivery of DEFRA Trees Project. Tree-planting projects will only deliver very small reductions in the lifetime of the current targets, but will support subsequent targets and the national goal of net zero by 2050 3. Delivery of Strategic Wildlife Project. 4. Promote the uptake of grants to reduce greenhouse gas emissions from domestic and non-domestic buildings 5. Support greater use of electric vehicles in the district. 6. Support cycling, walking and use of public transport as an alternative to car travel. 7. Illustrate the scale of the measures that would need to be undertaken to meet the targets including estimates of cost. 8. New officer roles focussing on helping householders, businesses and not-for-profit organisations in the district to reduce their emissions.	In progress

Latest Position Statement	
15 Feb 2024	The Council approved the Climate Emergency Detailed Action Plan in January 2021. The progress of the plan is reported bi-annually to Environment Panel and annually to Full Council. The 4thupdate to Full Council occurred on 23 January 2024. The action plan now contains 66 actions related to either the internal or the district wide target. The status of which is summarised below;

	Status **Number of actions** On-going 40 Waiting for input from others 4 May not be initiated/completed on time 1 Not initiated/completed on time or not expected to be 1 Completed 17 Not due to be started yet 2 Closed – unable to complete 1 Total number of actions in plan 66 **District wide target** In the 1st year of the target, 2020, an 8.7% reduction was achieved. This figure is based on data published annually for all local authorities by the Government. Each year the Government improves its methods for estimating emissions and then uses the new methods to re-calculate previously published figure. This reduction was updated to a 10.6% reduction when the Government issued the latest data in June

Page 128	2023. This reduction was likely due to the impact of Covid on road transport emissions and illustrates the scale of change to achieve the target. The latest data for 2021 showed an increase of just under 1%. The employment of additional staff will ramp up council activities to reduce emissions, but the district target will not be met without a transformative scale of action. Council internal target There were reductions of 12% and 4% in the first and second years respectively (Oct 2019-Sep 2020 and Oct 2020-Sep2021). Covid is likely to have been a key factor. In Oct 2021-Sep 2022 emissions increased by 2%. October 2022-September 2023: The emission figures for this period are being estimated. This is taking longer than previous years due to issues in receiving data from our energy suppliers. St James industrial estate re-opened in this period which adds to emission figures even though it has been designed to reduce emissions. However, it was hoped that there would be a net reduction of 6-7% due to energy efficiency work on Westward House, use of two electric refuse vehicles, completion of Westgate project. Provisional figures suggest significant savings at Westward - an all-electric building - and a reduction in electricity use at Westgate, but countering that is a 7% increase in the emission factor for grid electricity. Added to that, gas consumption at Westgate has increased. The heating equipment is still being optimised. The trial electric refuse vehicles have yielded mixed results. In summary, there could be an increase in the single figures. October 2023-September 2024: More units at St James industrial estate will have become occupied in this period, but a reduction around 5% could be achieved but only if the Westgate project and the electric refuse vehicles perform consistently well Gas use at the Novium should be reduced due to consistent operation of the biomass boiler. October 2024-September 2025: As stated in the last update, achievement of the target rested largely on the council entering into a contract for electricity from a planned new solar farm in the district. A thorough investigation of this option led to the decision not to enter into a contract. There will be emission reductions due to CDC vehicles (other than refuse collection vehicles) being replaced by electric vehicles, but these will not be sufficient to meet the 10% target. Mitigating actions: Achieving a year-on-year reduction requires a continuous pipeline of projects which has not been established. Fleet: Although results of the electric refuse vehicle trial have been mixed, other vehicles are gradually switching to electric as per council policy and additional charging infrastructure is being installed. However, this entails increased asset replacement budgets which will need to be approved by councillors. Hydrotreated Vegetable Oil is an alternative option to electrification but will increase revenue costs and there have been concerns about its environmental sustainability. This option is kept under periodic review to see if environmental sustainability concerns can be allayed. Buildings: Installing more PV on council buildings is a cost-effective option, although the carbon savings will not be large. Bigger carbon savings are achieved by replacing gas, but new gas boilers have recently been installed at EPH. Electric heating could be installed at Bourne and Grange leisure centres, but the payback is exceptionally long. Solar car ports could be installed on council car parks. They make most financial sense when combined with using electricity on site e.g. EV charge-points or if the council sold the electricity to a licensed supplier and then bought it back for its own use (a Power Purchase Agreement). Investigation of other low carbon energy options will be pursued subject to Cabinet approval (meeting 5 March 2024).

CRR 196	**Managing Selseys Aging Sea Defences**	**Management**	Control Pending
		Corporate Links	

Risk Description: The flood and erosion risk arising from failure of coast defences at Selsey, in particular the sea wall. Constructed in the 1950s, the seawalls have reached or are reaching end of their design life. At the same time, as a result of climate change (specifically sea level rise), the level of protection afforded by the existing defences will decrease over time. Recent defence failures (Jan 2007 & 2023) have highlighted the fragility of the coastal assets along the Selsey frontage, the speed with which such failures can occur, the complexity of defence ownership/maintenance, the high costs associated with emergency repairs and the uncertainty around how remediation of such failures can be funded. CDC, in partnership with Coastal Partners, are currently engaged in a feasibility study looking at the future of Selsey defences, however any potential scheme is unlikely to be ready for construction for at least 5 years (2028+). At the current time, there is no guarantee a scheme can be delivered because it will be subject to securing substantial financial contributions, several gateway stages and demonstrating a robust business case for EA approval. A Position Statement was adopted at Oct 2023 Cabinet which lays out the business-as-usual position of how CDC may respond to the different seawall failure scenarios that may present.

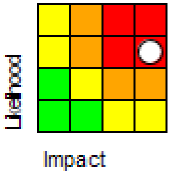
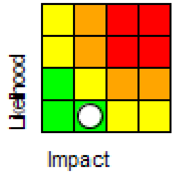
Council has permissive powers (not a legal duty or responsibility) under Land Drainage Act 1991 and Coast Protection Act 1949 to undertake works on the coast (maintenance or new defences) to protect property from flooding or erosion. As an asset owner, CDC have responsibility to manage H&S risks effectively. Private landowners are responsible for protecting their own property from flooding and erosion (within the statutory planning regime and Coast Protection Consents). Where accessible to the public, the owners have a duty of care to maintain public safety under the Occupiers Liability Act.

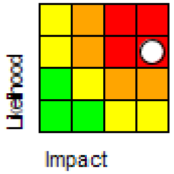
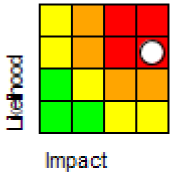
Sea defences are typically funded by the EA Grant in Aid following a business case application and bid process. Post construction, the council maintains the assets (currently no grant available for maintenance works). EA funding can be sought retrospectively for emergency coast protection works where this is an immediate health and safety risk. The works must be eligible for grant and depend on funding being available. Once emergency works have averted the imminent safety risk, more permanent works would need to be funded by CDC as part of a capital scheme or possibly by private land owners.

Risks are; flooding, erosion, wider impacts of these on critical infrastructure, roads, utilities etc. fragility of the assets due to age and construction, at end of design life, leading to risk of sudden and unexpected failure. Private defences may fail and owners may be unable to repair defences leading to risk of multiple properties or private owners may attempt to take matters into their own hands causing issues for their neighbours. A number of separate failures could occur along the 4km frontage in quick succession causing cumulative failures, leading to significant repair costs and insufficient funds. Repairs may need to be actioned quickly and with significant funding to the council, as there is no guarantee of funding for emergency works from the EA. Previous action to repair defences may raise expectation that this will always be the case, when funding is not guaranteed and permissive powers are utilised. Access to undertake repairs is challenging due to the low beach and short tidal windows, adding risk other properties will be affected and adding further cost and time.

SLT Risk Owner: Andrew Frost
Responsible Officer: Alison Stevens

Original and Target Risk Assessment

Original Risk Date	12-Sep-2023		**Target Risk Date**	31-Aug-2030	
Original Risk Score	12		**Target Risk Score**	2	

Current and Previous Quarter Risk Assessment			
Current Assessment Previous Quarter Assessment	15-Feb-2024		12
	12-Sep-2023		12

Internal Controls		**Current Status**
Small localised failure of private defences	Inspect failure and notify landowner of responsibility. Monitor until resolved by landowner – monitoring risk of failure affecting multiple properties (if nec, escalate to 3)Annual risk communication with residents of Selsey via CDC newsletter – how to respond to coastal flooding and erosion, how to sign up to flood risk warnings. **https://coastalpartners.org.uk/flood-response/**	Poor
Small localised failure of CDC maintained defences	Inspect failure and then review maintenance options and cost. Look to undertake repairs which extend the asset life, or reduce the risk of an escalating failure, using existing maintenance budgets and frameworks. (Where sufficient budget does not exist, issue to be escalated and consider funding from Council reserves.) (If appropriate inform EA of risk of emergency works) Undertake repair works	Poor
Significant failure - risk of loss associated with 1 or more properties	Inspect failure at the earliest safe opportunity. Notify SLT of funding need and the EA of the scope of the emergency works. Undertake any necessary emergency works to make safe and prevent escalation / continue to monitor. Appraise options and feasibility for urgent repair or replacement. Prepare business case to recover emergency works funding for EA or other sources. ** Works will be subject to approval of spend in accordance with CDC Constitution. Where appropriate funding for*	Poor

	emergency works will be sought from the Environment Agency in parallel. There is no guarantee of emergency works funding.	
Major failures - significant storm leads to multiple failures and properties at risk	Initiate emergency plans, with a risk-based approach to managing health and safety. Properties at imminent risk of erosion may not be able to be protected.	Poor
Latest Position Statement		
15 Feb 2024	With age there is an increasing residual risk of a failure of the defences, and the impacts could quickly become significant. This is managed through risk-based inspections and monitoring of the coastline by Coastal Partners, with the objective of ensuring any failures (minor or major) or issues are identified early. There is a focus on not missing opportunities to undertake swift minor repairs which have the potential to avoid more significant failures (repairs). However, this is not always possible in the winter months. For more significant failures, where properties are at risk in the short term, the Council may endeavour to seek funding for emergency works. There can be no guarantee of an outcome that avoids losses in all cases, and no guarantee of emergency works funding and CDC and residents should be prepared for this scenario. Following a feasibility study, a business case has been submitted to the EA for options appraisal and detailed design for a new defence scheme at Selsey. To date, we have no indication as to whether this business case will be successfully, either wholly or partially. Given the on-going work on the new defence scheme, the Position Statement will be reviewed annually to consider any changes.	

Management Controlled

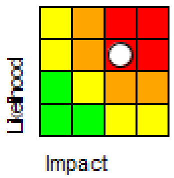
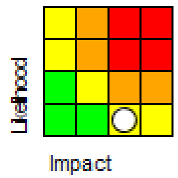
CRR 01	**Financial Resilience**	**Management**	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.

Risk Description:
- Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences.
- Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including efficiency savings identified under the Future Services Framework (FSF).
- Failure to maximise income streams.
- Unpredictable Government policy (e.g. localisation of business rates.)
- COVID-19 (Coronavirus) unpredictable economic impact.

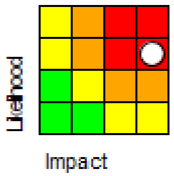
Cost of living crisis - unpredictable impact on service demand. Plus inflationary cost pressures on the council's own costs.

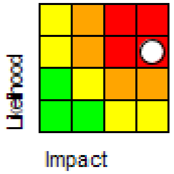
SLT Risk Owner: John Ward
Responsible Officer: Helen Belenger

Original and Target Risk Assessment

Original Risk Date	31-Jul-2012		**Target Risk Date**	31-Mar-2027	
Original Risk Score	9		**Target Risk Score**	3	

Current and Previous Quarter Risk Assessment

Current Assessment Previous Quarter Assessment	19-Feb-2024		12

	12-Sep-2023		12

Internal Controls		Current Status
Five Year Financial Model and Deficit Reduction Plans	1. Monitor and update the 5 year financial model as required and review with CMT. 2. Assess against progress on Deficit Reduction Plan and savings targets. 3. Monitor income volatility in relation to use of New Homes Bonus (NHB) (Policy approved) and localisation of both Council Tax Reduction scheme (CTR) & business rates. 4. COVID recovery and financial planning reports agreed by Council 21 July 2020. New framework for service prioritisation model to develop future service delivery from 2022-23. 5. Budget review tasks after election in May 2023.	Good
Income Streams	1. Monitor income performance and review with SLT so remedial action can be taken. 2. Divisional Managers and service managers monitor income monthly from budget monitoring reports. 3. Service managers to assess fee setting for services in accordance with Fees & Charging Policy, and react when income reductions occur. 4. Putting money in place to achieve better returns.	Good
Reconciliation of Income	1. Monthly reconciliations by services. 2. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan. 3. Support given by Financial Services when setting up new income streams and reconciliation processes.	Good
Control of Expenditure	1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations. 2. Quarterly monitoring of major variances by SLT. 3. Quarterly Financial Health Check meetings by Financial Services with Directors and Divisional Managers prior to SLT's quarterly revenue and capital monitoring review. Results published on the Council website and detailed in the member's bulletin.	Good
Financial Strategy Principles	1. All key decisions of the Council should relate back to the Corporate Plan. 2. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period. 3. Over the next 5 years maintain a position of non-dependency on reserves. 4. To maintain a balanced budget in a climate of no growth, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue	Good

	consequences, is approved. 5. Review costs in response to changes in service demand. 6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion met by Council Tax. 7. Continue to review the Council's costs to find further savings. 8. Match Council Tax increases to a realistic and affordable base budget. 9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community. 10. New Homes Bonus (NHB) is a non ring-fenced grant from Government. Council policy has agreed in principle that this funding should be reserved to reward communities that have accepted growth. However, the allocation of this source of funding and its use must take into account that as this is not new funding; it can be used to protect services, and aid the council's legal requirement to set a balanced budget. The allocation of this funding will be reviewed annually during the budget setting process considering the financial settlement from Government. 11. Localisation of Business Rates. The decision to pool our business rates should be reviewed annually after receipt of government draft settlement to that the Council is in the best financial position. The Section 151 Officer continues to review the risks and opportunities that will emanate from the 100% localisation of business rates.	
Revenue and Capital Programme Principle	1. Capital receipts, reserves and interest on investment will primarily be available for new investment of a non-recurring nature, thereby minimising the overall financial risk. 2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment. 3. Borrowing could be used for capital schemes or "invest to save" projects providing the cost of servicing the debt is contained within the revenue savings/income the project generates. The payback period for invest to save projects should be shorter than the life of the asset. 4. A Capital Strategy which sets out the clear vision of the council's capital ambitions, linked to the Corporate Plan and all other key strategies and policies which aid the decision making process for the allocation of resources to projects. The governance arrangements are clear ly set out in this document for an open and transparent process that adheres to good practice.	Good
Treasury Management	1. Generate better returns with the Treasury Management Strategy and the Investment Protocol and the Council's view of risk and increased diversity.	Good
Latest Position Statement		
19 Feb 2024	The Council's 2024-25 Financial Strategy and 5 year model was approved by Council in November 2023, since the model was updated considering the situation in year, including any ongoing effects over the medium term. The Financial Strategy showed that there was an underlying deficit mainly due to the expected reset in the Business Rates Retention Scheme (BRRS) and a major funding review by government. The expected deficit is expected at £3m and possibly more as a result of the major waste reforms to be implemented by March 2026 which are not expected to be fully funded by Government. These changes highlight the background of uncertainties when trying to complete any strategic financial planning and the lack of clarity from government and only receiving one year funding streams. The Council has set up a cross party Budget Review Group to address the funding gap as it will be necessary to carry out service reviews, income generation schemes that may change current council policy. As a result of past efficiency drives the easy wins have been achieved. The	

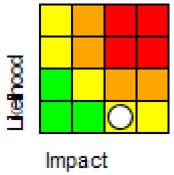
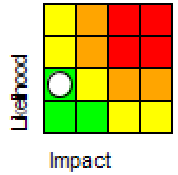
	Council has set it 2024-25 budget with a surplus of £609k. Whilst a surplus of the region was expected in the 5 year Financial Strategy, this has been the case as the Council have had to bring in the New Homes Bonus to fund the budget. This approach is contrary to past policy but has been a necessary change because of the treatment of this grant in the financial settlement by Government. The forecasts will need to be updated for preparation of strategic financial planning for 2025-26 when the Council is also expecting a surplus budget, however, with the uncertainties in national politics and a general election expected in 2024. This is a another known risk. The Budget Review Group will need to address the forecast funding gap in the next 12 to 18 months to ensure that it can set a balanced budget from 2026-27 onwards. Therefore, the risk score remains at 12 based on likelihood 3 (probable) and impact 4 (major) due to the estimated funding gap. Strategy updates will be held with Strategic Leadership Team (SLT) and Cabinet in May/June and the Budget Review Group will be meeting quarterly to receive the outcome of work completed by officers throughout the coming year.

CRR 08	**Skills / Capability / Capacity**	**Management**	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.

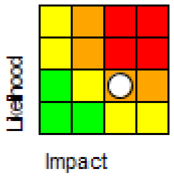
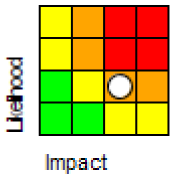
Risk Description:
Failure to have resilience in the staff structure, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.

SLT Risk Owner: John Ward.
Responsible Officer: Joe Mildred / Tim Radcliffe.

Original and Target Risk Assessment

Original Risk Date	31-Jul-2012		**Target Risk Date**	31-Mar-2025	
Original Risk Score	3		**Target Risk Score**	2	

Current and Previous Quarter Risk Assessment

Current Assessment Previous Quarter Assessment	20-Feb-2024		6
	13-Sep-2023		6

Internal Controls		**Current Status**
Workforce Development Plan	1. Ensure commissioning and objectives remain relevant and up to date. 2. Review personnel literature, marketing CDC as an employer at recruitment fairs. 3. CDC salaries - benchmarking exercise to be undertaken and monitored. 4. New apprenticeship Levy.	Good
Appraisal Process	1. Succession planning considered during appraisal process.	Good

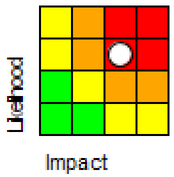
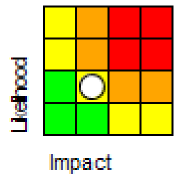
	2. Completion of appraisals on time. 3. Strategic training needs identified.	
Training Plan and Budget	1. Use First Line Managers course to develop new managers. 2. Use management apprenticeship or diploma programmes to develop CDC managers. 3. Specific training programme for new Directors and Divisional Managers.	Good
Recruitment Benefits	1. Use of benefits packages to aid recruitment: relocation package widely used, exceptionally assisted house purchase scheme. 2. Guidance to be issued for how to use recruitment benefits.	Good
Staff Satisfaction Survey	1. Staff survey to be undertaken every two years, and action plans progressed.	In progress
Strategic Leadership Team & Divisional Managers	1. Specific training programme to newly appointed Divisional Managers to address core competencies, hosted by Portsmouth University.	Good
Measuring Staff Turnover by Significant Groups	1. SLT to review turnover statistics and the reasons quarterly.	Good
Latest Position Statement		
20 Feb 2024	Increased use of premia payments (market supplements) for those areas with long term established recruitment issues and the use of the relocation package has aided recruitment for some service areas. Premia payments are subject to review every 2 years (review for implementation in April 23 complete and next review in to be done late 2024 for implementation in April 2025), which is in line with the new procedure governing these as agreed with the Staff Side / Unison. However there are still been some significant recruitment and retention issues in some services including Planning, Environmental Health, HGV drivers and Building Services, who will continue to work with HR to ensure that appropriate resources and incentives are in place; these include further recruitment attempts including recruitment payments, flexible use of staff across the service, improved advertising of jobs and marketing of the Council as an employer, using head hunters and temporary (agency) staff, where required. It should be noted that this risk is linked to the national issue of shortage of labour in some sectors and our ability to control or mitigate this is limited. In some areas we are now seeing an improved number of applicants to our advertised roles and this is linked to the shifts in the wider economy and job markets. Workforce Development Plan recently reviewed and considered by JECP, it includes a with a greater focus on the need to grow and develop our own staff. In 2023 completed a full comprehensive staff survey and the results were analysed and considered by JECP and reported back to all staff.	

CRR 09	Business Continuity	Management	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.

Risk Description:
Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and reputational damage.

SLT Risk Owner: Andrew Frost
Responsible Officer: Alison Stevens/Warren Townsend.

Original and Target Risk Assessment

Original Risk Date	31-Jul-2012		Target Risk Date	31-Mar-2025	
Original Risk Score	9		Target Risk Score	4	

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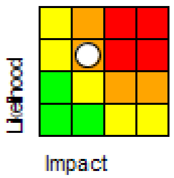
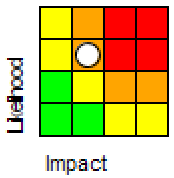
Current and Previous Quarter Risk Assessment

Current Assessment Previous Quarter Assessment			
	14-Feb-2024		6
	13-Sep-2023		6

Internal Controls		Current Status
Robust BC Plans	1. The Business Impact Assessment (B.I.A) is refreshed annually with SLT. 2. Critical services have Business Continuity (BC) plans covering the first 3 days of a business interruption. 3. The BC plans are tested every 2 years. 4. Retraining takes place where necessary, to embed BC into culture of the council. 5. BC plans and associated documents are stored on the council's x drive and off-site on external site (Resilience	Good

	Direct). 6. Non critical services also have plans for over 3 days business interruptions. 7. Health checks take place of Plans in all service areas. 8. Effective backup of data. 9. Off-site disaster recovery facility at the depot - replication of the server	
BC Management Strategy	1. Annual BIA meeting held with SLT. 2. Monthly report from Safety & Resilience team to SLT cover any updates and issues. 3. Articles for team briefs or management forum to embed BC planning into organisation.	Good
Business Recovery Team	1. Training and repeated messaging to embed BC cultural into organisation. 2. Annual appraisals targets for Divisional Managers and relevant staff.	Good

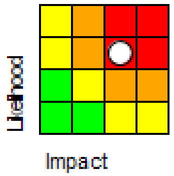
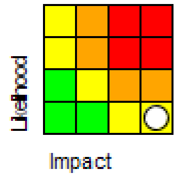
Latest Position Statement	
14 Feb 2024	There are different threats that can create a business continuity incident - this assessment considers the key threats but has to summarise our overall level of risk. Whilst the internal controls are good for business continuity management, the risk score remains fairly high as the likelihood of a business interruption caused by fragility around the Ukraine conflict and the impacts that has had on energy and fuel. Impacts from Covid and seasonal flu seem to be very low, even at CCS where crews need to work physically closely with each other. The risk of a potential cyber-attack is probable. This is because CDC, like many large organisations, continually identifies and deals with attempted attacks on our IT systems. We have good mitigation against cyber-attacks; however there remains a risk due to the frequency of attempted attacks and the changing nature of cyber threats. Physical mitigation controls against intentional or accidental damage or loss of critical IT equipment within EPH are good and would be 'unlikely', and therefore less of a risk. Should the IT servers located within EPH fail for any reason then the majority of the council's IT systems can be reinstated within a matter of hours using the disaster recovery server room based at CCS. The threat of not being able to operate council services from EPH due to a fire, for example, is no longer deemed significant from a business continuity point of view as resilience is good in terms of staff being able to carry out their work from home. The CCS site also provides a location for office-based activities to be relocated to. The Novium and a reciprocal mutual aid arrangement with WSCC provides a location for face-to-face council business to be conducted, if necessary. The BIA (Business Impact Assessment) continues to be refreshed annually by SLT – the last review took place on 14 November 2022 and is in the process of being reviewed again. BC plans continue to be refreshed on a 6-monthly basis – the last review was completed in October 2023.

CRR 68	**Health and Safety**	**Management**	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.

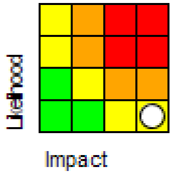
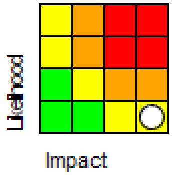
Risk Description: Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution or other enforcement action under H&S legislation, adverse publicity, fines and possible custodial sentences. Such failures may also lead to civil claims for compensation

SLT Risk Owner: Andrew Frost
Responsible Officer: Alison Stevens / Warren Townsend.

Original and Target Risk Assessment

Original Risk Date	03-Sep-2013		**Target Risk Date**	31-Mar-2025	
Original Risk Score	9		**Target Risk Score**	4	

Current and Previous Quarter Risk Assessment

Current Assessment Previous Quarter Assessment	14-Feb-2024		4
	13-Sep-2023		4

Internal Controls		**Current Status**
H&S policies & procedures	Clear health and safety policies, procedures and guidance are available to all staff and members via intranet and in hard copy format at some sites. The Policy includes: 1. Statement of intent. 2. Hierarchy for communication/organisation. 3. Roles and responsibilities. 4. H&S arrangements - these are the policies, procedures and guidance for specific H&S issues e.g., control of	Good

	contractors, COSHH assessments forms etc. 5. An extensive range of evidence compliance forms. 6. Specific risk assessments for site visits undertaken for staff and member visits. 7. Quarterly updates to Cabinet member for Planning & Environment by the Safety & Resilience Manager.	
Training Programme & Competencies	1. Specific training programmes for all aspects of H&S skills and competencies required with the Council's business. 2. Staff with relevant competencies and holding key responsibilities available on staff intranet. 3. Training records maintained to evidence training provided. 4. Training for all new members as part of the Members' Induction Programme.	Good
Legionella Testing	1. Written policy available. 2. Regular testing and monitoring to demonstrate compliance. 3. Ideagen used to record monitoring and escalate areas of non-compliance. 4. Staff involved in legionella management or may be exposed to legionella risk are provided with training.	Good
Health & Safety, and Insurance performance meetings for high risk service areas	1. CCS - Monthly insurance & H&S meetings with the Director of Corporate Services & the Contract Services Divisional Manager with Safety & resilience Manager & CCS Technical Supervisor. To assess accident trends and claims and agree any actions required to staff duties, policies and procedures. 2. The Safety & Resilience Manager attends the quarterly CCS H&S Management meetings. This is a high-level meeting with the service managers and lead officers to discuss H&S performance across all CCS activities. 3. All accidents, near misses and reports of ill health are investigated by the Safety & Resilience team. Interventions made with the service where appropriate to improve systems of work to prevent reoccurrence.	Good
PAT testing	1. Annual testing of all electrical equipment carried out by qualified contractor.	Good
Safety Committee	1. A group of managers and employees (including union representatives) meet 3 times a year to discuss health and safety issues and matters of interest. CCS, car parks, foreshores and the Novium feed into this committee. The Safety Committee reports any issues of significance to the Joint Employee Consultative Panel (JECP). Meeting minutes are posted on the council's intranet page for staff to access.	Good
Caution Alert Register (CAR) and lone working	1. Specific procedures and decision tree guidance in place for staff and members to follow on the intranet. 2. Nominated person CR Keeper who maintains register and advises staff. 3. Procedures in place for appropriate staff and members to access CAR. 4. Compliance with data protection legislation included in policies and procedures. 5. Incident response team available to support staff and members at EPH if an incident occurs. 6. Conflict Management & Physical Intervention training provided to relevant staff. 7. Staff are provided with a lone working solution that offers them protection when conducting visits alone.	Good
Emergency arrangements for Council Premises	1. Evacuation procedures in place for EPH on staff intranet. 2. Designated staff with allocated roles & responsibilities for evacuation procedures. 3. Regular testing of evacuation procedures carried out. 4. Policy advising the arrangements in place for safe evacuation of council owned buildings.	Good
Corporate H&S Audits &	1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service, H&S	Good

Action Plans for Service H&S Improvement	and management with any necessary improvement action plans. Progress with recommendations made are reviewed after an agreed period. 2. In addition, there is a programme of audits in place for the SLM leisure centres contract. This involves checking H&S performance and compliance in key identified areas.	
Contract Management	1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification. 2. The contract manager must ensure that their contractor adheres to H&S legislation in carrying out the specification and has a monitoring system in place which includes performance reporting to the council's contract manager. 3. Upon request the Safety & Resilience Manager will attend regular quarterly/annual meetings for the council's specific high risk activity contracts along with the contract manager, to liaise with the contractors regarding any H&S concerns. 4. Members are involved in major decisions on procurement matters.	Good
Health & Safety Corporate Compliance Group	• The group as set up early 2022 and meets quarterly to check compliance with statutory and locally set requirements across all directorates.	Good
Fire Safety Management	1. Activity based Fire Risk Assessments of all CDC managed premises are undertaken on a 2-yearly programme.	Good
Safety watch	1. The Safety & Resilience team undertakes monitoring visits to engage with operatives, check training / competence and compliance with policies and procedures. Waste/recycling crews, grounds teams, streets team and small works operatives receive at least 1 face to face SafetyWatch visit per year. Waste/recycling crews also have 1 SafetyWatch observation via live vehicle cameras per year. Results of SafetyWatch are reported to CCS management.	Good
Latest Position Statement		
14 Feb 2024	The consequences of a serious accident or incident at work have the potential to be ‘major’, i.e. death or serious injury of a member of staff, contractor or member of the public. Therefore, the severity of impact in the risk score is always going to be high. However, the Council operates an effective, and well established, H&S management system with good controls in place to reduce the likelihood of such an incident. Despite having good systems and procedures in place, CCS remains the highest risk operation within the Council due to the nature of the work and consequently accounts for the large majority of accidents, incidents and near misses within CDC. H&S compliance of CDC’s biggest service contractor, Everyone Active, is monitored through a programme of H&S audits carried out by the Safety & Resilience team on an annual basis.	

CRR 185	**Housing - Potential Increase in Homelessness Service Demand due to Increased Cost of Living and Ukraine Sponsorship programme Impact**	**Management**	Controlled
		Corporate Links	

Risk Description: Failure to meet potential increase in homelessness service demand due to increased cost of living and Ukraine sponsorship programme.
SLT Risk Owner: Louise Rudziak
Responsible Officer: Kerry Standing

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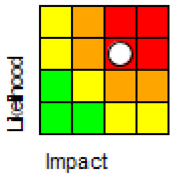
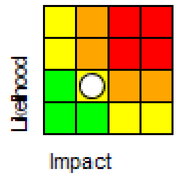
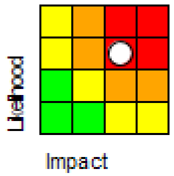
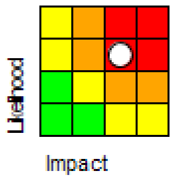
Original and Target Risk Assessment					
Original Risk Date	17-Feb-2021		**Target Risk Date**	31-Mar-2025	
Original Risk Score	9		**Target Risk Score**	4	

Current and Previous Quarter Risk Assessment			
Current Assessment Previous Quarter Assessment	22-Feb-2024		9
	13-Sep-2023		9

Internal Controls		**Current Status**
County Level	All councils within West Sussex have joined up to fund a new Housing and Policy Officer post to work across the district and borough councils to improve joint working, aid service improvements and outcomes for residents. One of the key initial priorities will be looking at prevention work to minimise housing approaches. We have and continue to liaise with our largest registered providers to obtain rent arrears levels so that we can look at the likely number of future homeless approaches whilst ensuring operationally we have practices in place including working with the registered providers to minimise homeless approaches overall.	In progress

Adequate Staff Resources	All posts within Housing are filled and the restructure has bedded in well. Homelessness approaches are monitored regularly along with resources. An additional post has been created during 2023 to date to deal with homeless demand and this remains under regular review.	Good
Prevention Work	Prevention work to identify potential evictions in advance with registered providers and private sector.	Good
Homelessness reviews and monitoring	A review will be undertaken during 2023-24 to monitor and forecast potential homelessness approaches to ensure our temporary accommodation provision need is understood, our needs can be met and where there are issues plans are developed accordingly.	Good
Prevention Tools	A number of financial support schemes are in place to support and prevent homelessness including some additional funding provided by WSCC.	Good
Home Finder & Use of Private Sector	The Home finder and private rented sector offer are under review to ensure we are set up in the most effective way moving forward through the supply of private rented properties, where these are required. The Home finder scheme in its current format is being wound down. As tenants move from properties these are being handed by to the respective landlord. A review of how we utilise private sector accommodation where we need to for a housing need is to be explored and options identified to do this. Whilst the social sector is so much more reliable for tenants from a tenancy security aspect some needs can be more urgently met through the private sector. That said it must be recognised that due to current market forces the private sector for many is simply unaffordable with Local Housing Allowance rates frozen at 2019 levels and significantly lower that private rents.	In progress
Financial Support	The Council has launched a Supporting You campaign which provides a ranger of support and services for residents including, but not limited to debt management advice, budgeting support and income maximisation etc.. All with the aim of helping residents support themselves and sustaining their tenancies. For 2023/24 an additional £100k has been allocated to top up the Discretionary Housing Fund. This will enable us to provide more support to those in need.	Good
New Initiatives	We have entered into an agreement with Beam from January 2023 as a pilot. This is a very different approach to how we have historically operated and we want to identify how we can best support homeless clients. Beam has 3 key benefits: 1) It helps individuals to crowd fund (to help them back onto their feet with start up costs i.e. interview clothing), 2) employment – works with motivated homeless clients who want to get into employment and 3) private rented sector – where Beam has shown its strengths is in its ability to work with the private sector to secure suitable properties. Given this model is different we wanted to pilot this to learn from it and to see if there are better ways of providing some of the service moving forward. Without pre-judging the pilot there are significant gains to be had with this i.e. employment rises and less impact on the public purse let alone all the social benefits this may bring and the benefits to the individuals themselves.	In progress
Latest Position Statement		
22 Feb 2024	The Local Authority Housing Fund has delivered 21 properties in total in response to the Ukrainian resettlement scheme. We are awaiting further details on a further scheme in Spring 2024.	

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

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High Scoring Organisational Risks - Mitigation Actions

Appendix 2

Growth and Place Directorate - Jane Hotchkiss

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 58	Place Division - Car Parking Service - Reduced Income - Deviation from budget	Place Division – Tania Murphy	12	6	6	4	31-Mar-2025	

Parking income was impacted significantly by the Covid-19 pandemic. There was significant deviation from budget, however the position relating to income has improved and therefore the risk rating has been amended to reflect this. Several projects are underway to assist with improving footfall and parking income continues to be monitored on a monthly basis.

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Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 61	Growth & Property - Estates - Rent arrears	Property and Growth Division – Victoria McKay	9	6	6	4	31-Mar-2025	

The impact and the likelihood of rent arrears remains unchanged, with the level of arrears staying generally unchanged. The impact of Covid-19 and the related legislation around collection of 'covid related' arrears may mean an increase in such arrears over the forthcoming months, requiring close focus on managing this area. The Corporate Debt Policy will assist in providing clear channels of communication and actions to help manage this risk.

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 62	Growth & Property - Estates - Increased rental voids	Property and Growth Division – Victoria McKay	9	6	6	4	31-Mar-2025	

The continued higher risk to both impact and likelihood remains due to ongoing uncertainties and changes in the markets as a result of the current wider economic climate. Whilst the industrial sector appears resilient to date, the office and retail sectors remain uncertain, although are both remain stable at present

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 157	Growth & Property Division - Inability to Retain or Recruit Key Professional Staff	Property and Growth Division – Victoria McKay	3	6	6	2	31-Mar-2025	
The recruitment market for professional staff remains competitive, which has impacted on the ability to recruit professionally qualified staff in recent years. There are currently no vacant posts in these areas but the risk remains fairly high to reflect ongoing difficulties in recruitment should further vacancies arise.									

Housing and Communities Directorate - Louise Rudziak

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 74	Community - Loss of S106 funding for the community	Communities and Customer Services Division – Pam Bushby	4	6	6	4	31-Mar-2025	
No change									

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 112	Community - Increased risk of community tensions due to the wider events in the UK & abroad	Communities and Customer Services Division – Pam Bushby	8	6	6	4	31-Mar-2025	

Situation in Gaza has resulted in a slight increase of hate crime.

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 195	Housing - Temporary Accommodation Demand Exceeds Supply, So Costs Not Reducing	Housing, Revenues and Benefits Division – Kerry Standing	6	6	6	4	31-Mar-2025	

Costs are increasing and officers are exploring a range of options to increase the Council’s supply of Temporary Accomodation

Planning and Environment Directorate - Andrew Frost

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 18	Planning - Lack of staff resources to meet caseload	Development Management Division – Fjola Stevens	6	6	4	1	31-Mar-2025	

The number of vacant posts has reduced, and the number of applications and appeals has reduced, minimizing the pressures on resources so the risk has reduced slightly

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 19	Planning - Unforeseen large/strategic scale applications, and large scale appeals unable to be absorbed into workloads of existing staff	Development Management Division – Fjola Stevens	6	8	6	4	31-Mar-2025	

There is a part time vacancy in the majors team, however with the use of external consultants for PPA work and funding from the Planning Skills Delivery Fund the risk has reduced.

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 115	Planning - Risk of "Designation" by central Government	Development Management Division – Fjola Stevens; Planning Policy Division – Tony Whitty	6	12	12	3	31-Mar-2025	
Appeals for major development have continued to be permitted which together with a fall in the number of major applications being submitted to the Council means that the risk that the Council is designated (special measures) by Government has increased.									

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 118	Planning - Failure to be able to demonstrate 5 year housing supply	Planning Policy Division – Tony Whitty	4	8	8	2	31-Mar-2025	
The government has introduced a temporary measure for 2 years that allows LPAs to only have to demonstrate a 4 year housing land supply, against a requirement for Five. As the council is beyond regulation 18 consultation on its local plan, it meets the requirements within paragraph 226 of the NPPF, therefore it is necessary to demonstrate only 4 years' worth of housing supply (The council is able to demonstrate at least 4.19 years of housing land supply as of 1 April 2023). Given this a rolling measure and a temporary target it is essential that the council continue to maintain a supply of housing in the absence of delivery through an up to date plan, therefore the Interim Position Statement for Housing Development remains relevant in the determination of applications for housing development. This helps manage the impact which, with it in place is moderate.									

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

25th March 2024

Progress Report – Audit Plan for 2023/24

1. Contacts

Report Author:
Stephen James – Internal Audit & Corporate Investigations Manager
Tel: 01243 534736
E-mail: sjames@chichester.gov.uk

2. Recommendation

2.1. **That the committee notes performance against the audit plan for 2023/24.**

3. Update on 2023/24 Audit Plan

3.1. The Audit Plan at the start of the financial year detailed 26 audits. To date 17 have been completed. Upon reflection this was an overly ambitious plan considering that there were three inexperienced staff joining the section. The training of staff and audits overrunning and in some cases the scope of the audit being extended have been a problem this year. The Audit Section together with the revised PSIAS requirements has meant that the Audit Planning process will need to change. A report on the revised arrangements will be presented to this committee.

3.2. Details of the audits completed since the last committee are as follows:

- Data Retention
- Rent in Advance
- DFG
- Debt Recovery
- Housing Benefit - Position Statement
- Discretionary Housing Payments - Position Statement

3.3. Results of the audit are contained in appendix one.

3.4. As of 1st March, four audit reports and two position statements have been issued as final.

4. Background

4.1. Not Applicable

5. Outcomes to be Achieved

5.1. Not Applicable

6. Proposal

6.1. Not Applicable

7. Alternatives Considered

7.1. Not Applicable

8. Resource and Legal Implications

8.1. Not Applicable

9. Consultation

9.1. Not Applicable

10. Community Impact and Corporate Risks

10.1. Not Applicable

11. Other Implications

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		√
Climate Change and Biodiversity:		√
Human Rights and Equality Impact:		√
Safeguarding and Early Help:		√
General Data Protection Regulations (GDPR):		√
Health and Wellbeing:		√
Other (Please specify):		√

12. Appendices

12.1. Audits completed since the last committee report.

13. Background Papers

13.1 Position Statement – Housing Benefit

13.2 Position Statement – Discretionary Housing Payments

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APPENDIX 1

Audits completed since the last Committee meeting (22nd January 2024)Compliance

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk	Total no of Exceptions	Overall Assurance level	Summary
Data Retention		2		1	3	**Limited Assurance**	To ensure that there are clear and current policies and processes in place across Chichester District Council that supports data retention legislation.
						Limited Assurance	To ensure that manual data is retained, controlled, archived, or destroyed as per policy.
						Limited Assurance	To ensure that electronic data retained, controlled , archived or destroyed as per policy across all platforms within CDC.
Audit title	**Critical Risk**	**High Risk**	**Medium Risk**	**Low Risk**	**Total no of Exceptions**	**Overall Assurance level**	**Summary**
Rent in Advance / Deposit Guarantee – Follow Up Report			3	5	8	**Reasonable Assurance**	There is an overarching strategy covering that aims and objectives of providing the Rent in Advance/ Deposit Guarantee scheme
						Reasonable Assurance	Information on the CDC Website
						Reasonable Assurance	Compliance with procedures for client contact, completion of Homefinder applications, EH review and standing order set up.
						Reasonable Assurance	Compliance with procedures for setting up clients on WRAPP
						Reasonable Assurance	Supporting evidence for deposit claims
						Reasonable Assurance	Financial Exposure for Guaranteed Deposits
						Reasonable Assurance	Debt monitoring and recovery process
						Reasonable Assurance	Debt monitoring information

APPENDIX 1

Audit title	**Critical Risk**	**High Risk**	**Medium Risk**	**Low Risk**	**Total no of Exceptions**	**Overall Assurance level**	**Summary**
Disabled Facilities Grant – Follow Up Report				5	5	**Assurance**	There is a policy in place setting out the aims and objectives of the Disabled Facilities Grant, as well as the eligibility criteria for Disabled Facilities Grant
						Assurance	To ensure members of the public can access clear information about the Disabled Facilities Grant on the Council's website
						Assurance	To ensure Disabled Facilities Grant claims are processed accurately and in a timely manner
						Assurance	To ensure there are effective processes and procedures in place for protecting and recovering finances
						Assurance	To ensure that expenditure against the Disabled Facilities Grant budget is monitored closely

Audit title	**Critical Risk**	**High Risk**	**Medium Risk**	**Low Risk**	**Total no of Exceptions**	**Overall Assurance Level**	**Summary**
Debt Recovery			2	7	9	**Reasonable Assurance**	Clear guidance on debtors in place for service users and Income and Payments team to follow
						Reasonable Assurance	To ensure there is a robust process for setting up Debtors accounts
						Reasonable Assurance	Monitoring of unpaid DD's (ARUDD) and DD amendments and cancellations (ADDACS). Follow up action taken where necessary
						Reasonable Assurance	To ensure PIM's have been authorised in a timely manner and by a separate officer to the initiator. Confirming that authorisation was in line with the debtor approver limit
						Reasonable Assurance	Clear and current policy in place covering every dept and all stages of debt recovery
						Reasonable Assurance	Procedure in place covering every dept and all stages of debt recovery and who is responsible for these

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk	Total no of Exceptions	Overall Assurance level	Summary
Debt Recovery			2	7	9	**Reasonable Assurance**	The debtors control account is reconciled to the general ledger account on a regular basis to ensure that all debts raised, and income received is recorded in the general ledger
						Reasonable Assurance	An aged debtor's report is produced and actioned as per guidance by every dept
						Reasonable Assurance	There is a consistent approach to write off across each dept in CDC

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Data Retention Audit 23-24

FINAL REPORT

Jeremy Todd and Laura Hutchison December

2023

Distribution List:

Diane Shepherd (Chief Executive), John Ward (Director of Corporate Services), Louise Rudziak (Director of Housing & Communities), Andrew Frost (Director of Planning & Environment), Jane Hotchkiss (Director of Growth & Place), Helen Belenger (DM- Financial Services), Joe Mildred (DM- Business Support) , Pam Bushby (DM- Communities & Wellbeing), Sarah Peyman (DM– Growth & Place), Laurence Foord (DM - Communications, Licences & Events), Kevin Carter (DM- Contract Services), Nicholas Bennett (DM- Legal & Democratic Services), Fjola Stevens (DM- Development Management), Alison Stevens (DM- Environment and Health Protection), Victoria McKay (DM- Property & Growth), Kerry Standing (DM- Revenue's, Benefits & Housing), Tania Murphy (DM– Place), Tony Whitty (DM- Planning Policy), David Cooper (Group Accountant– Revenue & Corporate financial Management)

Contents **Page**

iii) 1) Executive Summary

i) Introduction

This audit was carried out as part of the agreed audit plan for the 2023-2024 financial year. Audit testing has been restricted to areas that have been assessed as high risk by Internal Audit.

Audit testing has been carried out on the following objectives to ensure that:

- **Objective 1 - There are clear and current policies and processes in place across Chichester District Council that supports data retention legislation.**
- **Objective 2 - Manual Data is retained, controlled, archived, or destroyed as per policy.**
- **Objective 3 - Electronic Data is retained, controlled, archived, or destroyed as per policy across all platforms within Chichester District Council.**

ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance (Critical Risk Exceptions)	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
	Limited Assurance (High Risk Exceptions)	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance (High Medium Risk Exceptions)	Control weaknesses or risks were identified but overall the activities do not pose **or** significant risks to the Authority
	Assurance (Low Risk/Improvement Exceptions)	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings

Objective 1: To ensure that there are clear and current policies and processes in place across Chichester District Council that supports data retention legislation –Reasonable Assurance

Two low risk and one medium risk exception were raised as a result of this testing.

The current data policy in place was found to be concise and appropriate but changes in GDPR legislation and changes within service areas of CDC mean that the policy requires reviewing and updating.

Each appropriate service area has their own Service Data Protection policy on the external website - excluding Housing which is missing. All service areas have sections in the Register of Data Processing covering the data they have plus guidance within the CDC Retention Scheme document.

We completed a risk Matrix for the manual data across the council following a top line assessment of all the service areas, the data they handle, its level of sensitivity, frequency they would handle this data and the controls the service area had in place at the time of our review. From these the highest risk areas were – Rev’s Ben’s and Housing scoring 14 (out of 15), Business Support (HR) on 12 (out of 15) and then 2 services areas were on 11 (out of 15) which were Growth and Communities, and Events.

Within the register of data processing there is no recorded protocol for the destruction of electronic records, and this was seen with the amount of data held on our internal systems when reviewed for all the service areas. There is guidance on the retention, but this is not clearly stated as applicable to both manual and electronic, there is nothing to support the removal process.

See Ex 1.1, 1.2 & 1.3 for full testing details.

Objective 2: To ensure that manual data is retained, controlled, archived, or destroyed as per policy. - Limited Assurance Three

high risk exceptions were raised as a result of this testing.

We completed a risk Matrix for the manual data across the council following a top line assessment of all the service areas, the data they handle, its level of sensitivity, frequency they would handle this data and the controls the service area had in place at the time of our review.

In comparison with the retention document- the standard of compliance to the data retention documents varied, but all service areas need to review their compliance, remove data outside the scope of retention and destroy unrequired data following destruction policy guidelines.

Key Control for manual data was an issue for both HR and the strong room records, plus key control by facilities in general needs to be reviewed. There was confusion and lack of clarity around who held keys and where for the strong rooms and other controlled rooms.

Documents are held unsecured in car parking storage areas, the Depot, plus documents held in offices across CDC and around service area locations. During the tour of the CDC building, we also discovered an external dept using our committee room facilities as court areas - having unsecured personal data. Which if discovered would impact directly on CDC's reputation.

No records of archiving or destruction were seen on the shared drive from our checks and only one service area could refer us to this.

See Ex 2.1, 2.2 & 2.3 for full testing details.

Objective 3: To ensure that electronic data is retained, controlled, archived or destroyed as per policy across all platforms within CDC - Assurance

Two low risk exceptions were raised as a result of this testing.

The council uses the following systems - Iken, Northgate, Homemove, Uniform, Chipside, Exacom, Pentana, Civica, Itrent, WRAPP, as well as numerous shared drives. The data retention policy refers to the control of data which includes both manual and electronic, but the data processing document for the majority of service areas clearly states that “there is no protocol” for the removal or anonymisation of data held on these systems. At present the only systems with an anonymization of data function is the Uniform and Iken systems. But within Uniform this is not being utilised by all the service areas using it. Work is in progress around ensuring this function is built into all future procurement conversations for all platforms.

We completed a review of data held on the Shared drive within the council data is held on all systems and shared drives over and above the retention policy guidelines but access control to these systems is well managed and monitored by IT access restrictions. A scan of the disk space by the ICT Manager highlighted 3.9 million S-drive files are currently held across the council. The holding of excess data has a financial impact currently in back-up time and disk space used.

See Ex 3.1 & 3.3 for full testing details.

Overall assurance level –Limited Assurance

There were Four low, one medium and three high risk exceptions raised in total and therefore IA can give Limited assurance that the area is of high risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description

Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to: The efficient and effective use of resources The safeguarding of assets The preparation of reliable financial and operational information Compliance with laws and regulations And corrective action needs to be taken immediately.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
Low Risk - Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

Exception no 1.1- A clear and current data retention policy is in place to cover all service areas of the CDC. **Risk rating: Low**
Findings

On the Chichester District council’s external website there is a Data Protection and Freedom of Information page, this provides public information on the Freedom of Information Act 2000, plus easy access for the public to make a request for their information, there is also:

Information for the register of Data Processing and Retention Scheme, this includes links to a register of Data Processing Spreadsheet (August 2023) and a Chichester District Council retention scheme word document (Version 8 Sept 2022) alongside these documents there is information around the Data Protection Act 2018 and General Data Protection Regulations. The Six data protection principles are listed explaining how Chichester Council follow these in relation to collecting, processing, and storing individuals’ personal data and that the data controller is responsible for complying with these principles. It also explains the processes around Data matching around the Local Audit and Accountability Act 2014. This section then includes a request for Disclosure of personal information document.

At the bottom of the page is the Service data protection policies - this is each individual service area's policy around data they hold, what they hold and how this is used, plus customers rights and multiple methods for contact. The Service area information is labelled using multiple different headers, this is due to a decision at SLT level to give the responsibility to produce this information to each individual Division Manager with Support only from Data Protection Officer (DPO) and his team.

The CDC Retention Scheme Document itself was last updated 30/9/22. This policy is comprehensive, clear and covers all the service areas, but although this document was updated in 2022, due to the changes around the UK leaving the European Union, compliance to GDPR and changes within service areas within the CDC, this document does need to be reviewed and redrafted. In its current form it is still relevant and appropriate.

Alongside the CDC Retention scheme document on the external website is a spreadsheet, The Register of Data processing (August 2023). This spreadsheet gives detailed information by each service area covering the data we hold with regards to Personal data, Sensitive Data, and data for those under 16 years old, this covers what data we hold, where we hold it, who accesses it, its format, how long it is kept, what’s on it, and what we do with it once used. This is a comprehensive spreadsheet giving detailed information, but some areas of it are confusing with regards to exactly which service area or Dept this refers to

Older reference material was found on the internal website - Intranet - Retention Guidelines - 2017 - this has now been removed, and Data protection Policy - 2007. which was in the ICT section of the intranet.

At present the Register of Data Processing states for the majority that 'there is no protocol' with regards to the destruction of electronic data. - following discussions with the DPO. this is addressed in detail within the electronic data section of this audit, but a decision needs to be made by each individual service area in relation to the data they hold and the risk level of this data.

A full review of the policy highlighted that there is no reference to the use of lockers for the storage of data or data in relation to homeworking and the controls required if manual or electronic data is required away from the office. (IT policy 2018)

Risks and consequences

That the Council is not following the legislation in relation to Data Retention. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation.

Agreed action	**Officer responsible and by when**

Policy requires reviewing and updating due to changes in service areas and changes in UK's compliance to GDPR. Data retention in relation to Lockers and home working to be reviewed.	Data Protection Officer – August 2024 Data Protection Officer – August 2024

Exception no 1.2 The data retention policy is appropriate in line with current legislation. **Risk rating: Low**	
Findings	
As above the policy was updated 30/9/22 - This policy is comprehensive, clear and covers all the service areas, but although this document was updated in 2022, due to the changes around the UK leaving the European Union, compliance to GDPR plus also changes within service areas within CDC this document does need to be reviewed and redrafted. In its current form it is still relevant and appropriate	
Risks and consequences	
That the Council is not following current legislation in relation to Data Retention. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**
Policy requires reviewing and updating due to changes in service areas and changes in UK's compliance to GDPR	Data Protection Officer – August 2024

Exception no 1.3 There are processes to follow for each service area in relation to the data they handle. **Risk rating: Medium**
Findings

Each appropriate service area has their own Service Data Protection policy on the External website - excluding Housing which is missing. All service areas have sections in the Register of Data Processing covering the data they have plus guidance within the CDC Retention Scheme document. We completed a risk Matrix for the data handled across the council following a top line assessment of all the service areas, the data they handle and the level of sensitivity of this data and the frequency they would handle this data and the controls the service area had in place at the time of our review. From these the highest risk areas were – Rev's Ben's and Housing scoring 14 (out of 15), Business Support (HR) on 12 and then two service areas were on 11 which are Growth and Communities, and Events. This was based on Paper documents held. Within the register of data processing there is no recorded protocol for the destruction of electronic records, and this was seen with the amount of data held on our internal systems when reviewed for all the service areas. There is guidance on the retention, but nothing to support the removal process.	
Risks and consequences	
That individual service areas do not have clear processes to follow to enable them to meet required legislation guidelines. Risk of Fines if legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**
Review the data retention spreadsheet and the protocol for the removal of electronic data to adhere to retention guidance. Review the external websites data protection policies and ensure all appropriate service areas have a policy present.	Data Protection Officer and all Divisional Managers – August 2024 Data Protection Officer and all Divisional Managers where appropriate – August 2024

Exception no 2.1 - Manual data across the council is retained in line with policy. **Risk rating: High**
Findings
We completed a risk Matrix for the manual data handled across the council following a top line assessment of all the service areas, the data they handle and the level of sensitivity of this data and the frequency they would handle this data and the controls the service area had in place at the time of our review. We also completed a review of data held on the Shared drive within the council. In comparison with the retention document- the standard of compliance to the data retention documents varied, but all service areas need to review their compliance, remove data outside the scope of retention and destroy unrequired data, this applies to both manual and electronic
Risks and consequences

Manual data is not retained as per policy and GDPR legislation is breached. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**
All service areas required to comply with data retention guidance for manual documentation or have measures in place to address this going forward. All Divisional Managers to be briefed on findings from the audit in relation to Manual and Electronic data held in their service areas to support compliance.	Data Protection Officer and all Divisional Managers – August 2024 Internal Audit and all Divisional Managers. – Completed

Exception no 2.2 - Access to manual data across the council is controlled as per the council policy. **Risk rating: High**	
Findings	
Key Control for manual data was an issue for both HR and the strong room records, plus key control by facilities in general need to be reviewed. There was confusion and lack of clarity around who held keys and where for the strong rooms and other controlled rooms. Documents are held unsecured in car parking storage areas, the Depot, plus documents held in offices across CDC and around service area locations in our tour of the CDC building we also discovered an external dept using our committee room facilities as court areas - having unsecured personal data. Which if discovered would impact directly on CDC's reputation.	
Risks and consequences	
Manual Data is breached as access is not controlled across the council. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**

All service areas to review access controls for documentation to bring them in line with the retention policy to ensure security of data. Action taken to ensure all EPH tenants (CAB & Courts) are reminded of their responsibilities around data retention and data handling e.g., court documents. Review the control and organisation of keys held by facilities and their security. To assist Service areas with document management with a managed and updated record of all lockable cupboards within East Pallant house so that any not required can be reallocated to Service areas requiring them.	Data Protection Officer and all Divisional Managers – August 2024 Facilities Manager – August 2024 -Action taken by FM – Email communication with Court Delivery Manager. Audit to review. Facilities Manager – August 2024 Facilities Manager – August 2024

Exception no 2.3 - Manual data is archived or destroyed as per policy. **Risk rating: High**	
Findings	
No records of archiving or destruction were seen on the shared drive from our checks and only one service area could refer us to this. There were gaps in the logbook for documents signed in and out of the strong room. Box numbers are needed on log, or it is impossible to find where the document belongs. There is a printed list of full box and deeds list on the shared drive. Plus, an updated printed version held within legal in case the system goes down. Other service areas - many were unaware of documents held in the depot and/or storage areas around the council offices. - Land Charges have good records in place, HR was unaware confidential data was still held at depot.	
Risks and consequences	
Manual Data is breached as access is not controlled across the council. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**

All service areas required to comply with data retention guidance for manual documentation in relation to archiving and destruction, where possible, or have measures in place to address this going forward.	Data Protection Officer and all Divisional Managers – August 2024

Exception no 3.1 - Electronic data across the council is retained in line with policy. **Risk rating: Low**	
Findings	
The council uses the following systems - Iken, Northgate, Home finder, Uniform, Chipside, Exacom, Pentana, Civica, Itrent, WRAPP, as well as numerous shared drives. The data retention policy refers to the control of data which includes both manual and electronic, but the data processing document for most service areas clearly states that “there is no protocol” for the removal or anonymisation of data held on these systems. At present the only system with an anonymization of data function is the Uniform system. But this is not being utilised by all the service areas using Uniform. Work is in progress around ensuring this function is built into all future procurement conversations for these platforms. Data is held on all systems and shared drives over and above the retention policy guidelines. A scan of the disk space by the ICT Manager highlighted 3.9 million S-drive files are currently held across the council. The holding of excess data has a financial impact currently in back-up time and disk space used.	
Risks and consequences	
Electronic data is not retained as per policy and GDPR legislation is breached. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation	
Agreed action	**Officer responsible and by when**

Actions to be put in place to comply with the data retention policy for electronic data held on all internal systems. (Where available) All Divisional Managers to be briefed on findings from the audit in relation to Manual and Electronic data held in their service areas to support compliance. All service areas to be provided with a break down on data held on the shared drive for their area.	Data Protection Officer and all Divisional Managers – August 2024 Internal Audit and all Divisional Managers. – Completed Internal Audit and all Divisional Managers. – Completed

Exception no 3.3 - Electronic Data is archived or destroyed as per policy. **Risk rating: Low**	
Findings	
The council uses the following systems - Iken, Northgate, Home finder, Uniform, Chipside, Exacom, Pentana, Civica, Itrent, WRAPP, as well as numerous shared drives. The data retention policy refers to the control of data which includes both manual and electronic, but the data processing document for most service areas clearly states that “there is no protocol” for the removal or anonymisation of data held on these systems. At present the only system with an anonymization of data function is the Uniform system. But this is not being utilised by all the service areas using Uniform. Work is in progress around ensuring this function is built into all future procurement conversations around these platforms.	
Data is held on all systems and shared drives over and above the retention policy guidelines. A scan of the disk space by the ICT Manager highlighted 3.9 million S-drive files are currently held across the council. The holding of excess data has a financial impact currently in back-up time and disk space used.	
Risks and consequences	
Electronic data is not retained as per policy and GDPR legislation is breached. Risk of Fines if Legislation has not been followed, reputational risk if customers data is not retained as policy and Legislation.	
Agreed action	**Officer responsible and by when**

Actions to be put in place to comply with the data retention policy for electronic data held on all internal systems.	Data Protection Officer and all Divisional Managers – August 2024

Debt Recovery Audit

Laura Hutchison

January 2024.

Distribution List:

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1) Executive Summary

i) Introduction

This audit was carried out as part of the agreed audit plan for 2023/2024. Audit testing has been restricted to areas that have been assessed as high risk by internal audit.

This audit supports the 'Financial Prudence' element of the Chichester District Councils 2022-2025 corporate plan and covers all services areas within the Council with regards to their Debt Recovery processes from invoicing through to recovery or write off, excluding -

NDR – A full audit into the NDR processes including Invoicing and debt Recovery was completed for the audit plan 2022/2023 – the final report for this was completed in October 2023. – Overall Assurance level - Assurance

Housing Benefit – a full audit covering housing benefit overpayments and debt recovery was completed for the audit plan 2022/2023 the final report was completed in November 2023. - Overall Assurance level - Assurance

Council Tax – A full audit covering Council tax invoicing and debt recovery was completed for the audit plan 2022/2023 the final report was completed in August 2023. – Overall Assurance level - Assurance

Housing Rent Accounts – There have been historical issues for Housing debt, a position statement from the Divisional Manager of Revenues, Benefits & Housing is included with this audit. Following a full audit into the processes within Westward House (CDC owned temporary housing unit) in October 2023, this highlighted that there are new procedures for rent accounts being implemented to prevent re-occurrence of these historical issues**. Internal audit will review the risk for a standalone audit into all housing debt for the audit plan 2024/2025 and at present this is not a listed risk on the CDC Corporate risk register.**

Estates – Following Covid related restrictions on the recovery of rent arrears, automated debt chasing on the internal financial system Civica was paused**.** Business as usual has returned with a risk-based approach being used to approach the recovery of return arrears and to update Civica with the correct position within the debt recovery process. A position statement from the Divisional Manager of Property & Growth is included with this audit. Internal audit completed a review of the current position and

Civica was updated and turned back on in October 2023, this has caused some issues with communications being sent to tenants outside of the procedures, but this has prompted payment from some. There is still work to be completed in chasing this historical debt and ensuring procedures are followed.

Internal audit will review the risk for a standalone audit into Estate debt for the audit plan 2024/2025. This issue is item number CRR 61 on the corporate risk register, with no movement from '6' (out of 15) since March 2018 and has not been updated since July 2023.

Debt Values across the council:

All Debt across the council to year end 2023 was £11.8 Million (as stated by Revenues & Debt Recovery Manager at the CG&AC meeting 30 October 2023) of this £5 Million is 'real' debt to the council. The difference in these figures is the % share of NDR's & Council Tax that we collect and sits as debt on our financial system but is then distributed out to other areas – e.g., County Council, Police (figures provided by Group Accountant).

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Chichester DC

Schedule of outstanding debt and bad debt provisions held

	Non-Domestic Rates CDC Share (40%)	Non-Domestic Rates (Court Costs)	Council Tax CDC Share	Council Tax (Court Costs)	Housing	Sundry Debts	Housing Benefit Overpayments	Total
	£	£	£	£	£	£	£	£
2022-23								
Provision b/f	**303,690.97**	**1,936.89**	**373,285.66**	**193,030.16**	**582,597.30**	**452,006.76**	**1,261,989.83**	**3,168,537.57**
Write offs	-122,949.44	-3,997.55		-54,946.63	-177,201.36	0.00	0.00	-359,094.98
Movement on provision in year	135,297.88	6,636.72	-25,109.50	43,074.42	91,999.92	173,821.97	-216,973.32	208,748.09
Provision c/f	**316,039.41**	**4,576.06**	**348,176.16**	**181,157.95**	**497,395.86**	**625,828.73**	**1,045,016.51**	**3,018,190.68**
Debt outstanding at year end	**785,728.40**	**9,152.11**	**712,000.76**	**362,315.89**	**510,921.95**	**789,561.28**	**1,890,064.23**	**5,059,744.62**
Provision held as a % of outstanding debt	40.2%	50.0%	48.9%	50.0%	97.4%	79.3%	55.3%	59.7%

Visibility of Debts:

The debts within Chichester District council sit across many different systems, the majority of these are pulled into Civica from these other systems and can be reviewed via the aged debtors report, excluding Housing for rental debt which sits within Wrapp and licencing debt for Gambling and lottery licences, these are raised and monitored via Uniform, plus non-payment makes the licence null & Void and therefore no actual debt occurs. CIL demand notices are raised in the Exacom system and are managed by the CIL team with support from legal and Debt Recovery requested if required. The Parking team raise PCN’s via the Chipside system, these are monitored and managed by the Parking services team and come under civil regulations and sit outside the debts to the council.

Debts by service area are raised at Divisional Managers health check meetings, where they are presented with visual representations of their current debts.

An action raised within the Council's risk management system (Pentana/ideagen) states '**Investigate and pilot technological advancements to aid increased debt recovery collection'.** This is looking to address the issues that multiple systems raise in the visibility and monitoring of debts, this is being completed by the Revenues & Debt Recovery Manager and is due for completion by 31st December 2023.

Audit testing has been carried out on the following objectives to ensure that:

Objective 1: There are up to date policies and procedures in place to ensure all debts raised are genuine debts.

Objective 2: There are clear and up to date policies and procedures in place that set out debt recovery procedures and responsibilities across all departments within Chichester County Council.

Objective 3: Outstanding debts are monitored and actioned as a matter of course across all departments within Chichester District Council.

Objective 4: There are clear write off policies and procedures in place and adhered to across all departments within Chichester District Council.

ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
	Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance	Control weaknesses or risks were identified but overall, the activities do not pose significant risks to the Authority
	Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings.

Objective 1: To check clear and up to date policies and procedures are in place to ensure all debts raised are genuine debts.

Assurance Level: Assurance

Four low exceptions were raised as a result of audit testing under this objective.

Testing found that the new e-form process of raising invoices, Periodic Master Records (PIMS) and Credit notes which was launched across the council on 12th December 2022, is working well across the service areas that use this process. The procedures are available on the Internal Intranet and give step by step information to the service areas.

The adding and amending of debtor's accounts is completed by the service areas via the new e-form process, which are then reviewed for duplication or errors in details by the Income and Payments team. Checks are made by approvers once an invoice is raised, but there are no procedures relation to checks to be completed prior to the adding/amending of new debtors but service areas have their own processes and procedures depending on the service being provided and where possible payment should be made prior to the service provided.

Testing did not find any procedures for the Income and payments team to follow when completing their stage in this transactional processing, only a daily task list covering the tasks that need to be completed with minimal guidance.

The intranet procedures clearly detailed the service areas that have exceptions to the e-form process, meetings were completed with the service areas with higher value debts, and we discussed appropriate procedures for their individual processes.

Testing of 2000 of the 46,770 debtors on Civica (internal financial system) found 127 duplicate debtor accounts. Discussions with the Income & Payments Manager (I&PM), highlighted that some debtors require duplicate accounts for invoicing purposes, for example there needs to be a Trade waste only account set up for importing data from the Bartec system (system used to raise invoices for Trade Waste)

From the 127 duplicate details only 2 were fully duplicate accounts which were not required for any invoicing or systems reasons. The Income and Payments Manager (I&PM) was aware of these accounts immediately when discussed, these accounts have now been actioned to prevent any further use going forward, but accounts cannot be 'deleted' as such within the Civica System.

Testing on ADDAC's (Direct Debt amendments and cancellations), and ARUDD's (Unpaid Direct Debt) reports, found that these had not always been actioned or notes recorded to highlight actions taken. This was a historic issue around the end of 2022 and the implementation of the new e-form system. All have been actioned appropriately since March 2023. There were procedures in place for ARUDDS, but none were available for ADDACS.

A sample of PIMS were tested – 27 from the 2330 raised between 1/9/22 -31/8/23. This found that all but 3 were raised and authorised within sufficient time scales. All 3 not, were due to transactional reasons preventing this from occurring. 11 unauthorised PIMS were also found on the Civica system, this is where customers raise them via the external web site for Garden waste services but do not provide the required Direct Debt mandates to process the transactions. These were found to be outstanding since June 2023.

Details of the findings are contained within EX1.1, EX1.2, EX1.4 and EX1.5

Objective 2: To check there are clear and up to date policies and procedures in place that set out debt recovery procedures and responsibilities across all departments within Chichester County Council.

Assurance Level: Assurance

Two low exceptions were raised as a result of audit testing under this objective.

There is a clear, detailed Debt Recovery policy in place that covers all service areas of the council. This policy was produced in March 2020, a review of the current policy was schedule for February 2023 following Government consultations on Breathing Space and a review of the Council Tax Debt recovery processes – The Debt Recovery policy review is currently in progress and findings from this audit will be considered for its preparation. This is due to CG&A committee in March 2024. References to changes in service area names are also required, eg Taxation Team, which is now Debt Recovery Team.

Supporting the Debt recovery Policy are Debt recovery procedures available on the Shared drive – CDR1 – CDR6 covering the full scope of the Debt recovery process, these were found in testing to have been produced in 2020 and required updating. Although the key processes have remained unchanged. There are also up to date procedures on the Internal Intranet under Debtors/Customers accounts covering the full generic process for Debtors required by service areas.

All service areas met had knowledge of where to find the required guidance for all processes, but testing showed that the application of the procedures varied in consistency across the CDC. All debts (excluding the exceptions stated at the start) had been addressed correctly via the automated system within Civca but following the referral to the Debt Recovery Team, evidence was seen of issues that should have been addressed earlier in the debt recovery stages. Of the 15 debts tracked from Invoice to payment or recovery, 6 had issues that should have been addressed before it was passed to the Recovery stage. This should be picked up in the completion of the Aged Debtors report by the individual service areas.

Individual SLAs to support the completion of the debt recovery process between the Debt Recovery Team and the Service areas were found to be out of date and/or missing for all relevant departments except one and there were no records of monthly meetings and actions agreed at these.

Details of the findings are contained within EX2.1 and EX2.2

Objective 3 To check outstanding debts are monitored and actioned as a matter of course across all departments within Chichester District Council.

Assurance Level: Reasonable Assurance

One low and one medium exception were raised as a result of audit testing under this objective.

A monthly Aged Debtors report, as per guidance on the internet should be downloaded and follow up with debtors completed. The report annotated and referred to Income and Payments by the 10th of each month. Testing showed that individual service areas self-monitoring of debts was limited to 2 areas within the CDC. One other area was reviewing or monitoring, but not taking the appropriate action required.

The Debt Recovery Team are completing meetings with Trade waste, Estates and Licencing around actions required for their debts, due to slightly different processes than the norm following reminder stages but the processes prior to this is the same across all service areas within the council. (Excluding Housing) But there are no meeting notes to highlight actions agreed.

As highlighted in the above objective, of 15 debts tested, 6 were found to have had actions missed in the process that changed the direction of the debt recovery process. Civica automatically sends reminders at scheduled dates unless manual intervention is taken until they enter the recovery stage, then actions are required by the Debt Recovery Team.

Testing of debts from invoices raised in the 2022-23 Financial year showed there were delays in the actions taken after the final Letter before action is issued by the Debt Recovery Team, but that all debts tested were at either paid or appropriate action taken when testing was completed, excluding debts from the Trade Waste area. All 3 of these debts had no actions escalated which should be suspension of collections This is discussed monthly around the maintenance of business relationships and 'active' accounts. Following discussions with the Debt Recovery Team leader (DRTL), the largest of these debts is now being reviewed but leads to inconsistency in the approach to debt across the council.

Historical debts were also reviewed to gain oversight of their position, many had not gone through the appropriate stages outlined with the Debt Recovery Policy and had outstanding actions. The Debt Recovery Team Leader has reviewed these and due to time barring a high number of these will now go through the write off process and be charged back to the service areas, causing a loss to the council.

Testing around the Debtors processes found that the 2022-2023 debtors reconciliations had not been authorised, these had not been authorised monthly as per guidance provided from the Capital Accountant. The end of year had been reviewed and authorised. Historical Issues were identified in these reconciliations back to 2019 around issues with refunds processed through Civica. There are in the process of being addressed and are included in the reconciliations balancing figures.

Details of the findings are contained within EX3.1 and EX3.2.

Objective 4: To ensure there are clear write off policies and procedures in place and adhered to across all departments within Chichester District Council.

Assurance Level: Reasonable Assurance

One medium exception was raised as a result of audit testing under this objective.

Table below shows all write offs actioned between 1 April 2022 and 31 March 2023.
indicates a write on.

Financial Year	NNDR £	Council Tax £	Exchequer £	Housing Benefits £	Housing £	Total £
Pre 2017/18	25,404.82	349,471.44	1,579.54	-	179,193.95	555,649.75
2017/18	13,622.17	24,984.93	188.00	-	10,623.86	49,418.96
2018/19	33,239.64	32,099.85	1,224.70	-	17,111.71	83,675.90
2019/20	64,977.82	56,572.71	3,252.90	-	5,265.41	130,068.84
2020/21	95,023.45	79,859.43	598.10	-	3,152.66	178,633.64
2021/22	37,756.26	70,133.36	10,518.58	144,501.85	2,774.17	265,684.22
2022/23	41,341.71	25,930.96	148.86	-	3,178.81	70,600.34
TOTAL	**£311,365.87**	**£ 639,052.68**	**£17,510.68**	**£144,501.85**	**£221,300.57**	**£1,333,731.65**

Figures from Revenues & Debt Recovery Manager – CG&AC Meeting 30th October 2023.

Testing was completed on debts from across all departments within the CDC for 22/23, only one of these progressed to the write off stage due to an IVA being processed through the courts, the remainder excluding Trade Waste debts followed the appropriate route and were either paid or were amended via the Debt Recovery Team due to errors or issues with the original invoicing.

Write offs were completed and recorded for every quarter as per policy. Record Keeping for sign offs was missing for the quarterly lower valued write offs but was present for the year overall.
Items raised for write off by debt recovery via civica are reviewed and additional work completed in reviewing the Debtors full account history is completed by Income and Payments. These are then processed via Civica, removing the debt from the account prior to sign off being completed. These are then reversed in Civica is approval is declined. No feedback or update is provided to debt recovery on amendments completed to their original record raised.

Historical debts raised prior to the 2022-2023 financial year have not followed the correct processes and many debts should have been written off under time barred reasoning.

Details of the findings are contained within EX4.3.

Overall Assurance Level – Reasonable Assurance

There were 2 medium and 7 low exceptions raised in total and therefore Internal Audit can give Reasonable Assurance that the area is of high risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description
Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to: ▪ The efficient and effective use of resources ▪ The safeguarding of assets ▪ The preparation of reliable financial and operational information ▪ Compliance with laws and regulations And corrective action needs to be taken immediately.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
Low Risk – Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

EX 1.1 Clear guidance on debtors, in place for service users and Income and Payments team to follow. **Risk rating: Low**	
Findings: Testing found that the new e-form process of raising invoices, Periodic Master Records (PIMS) and Credit notes which was launched across the council on 12th December 2022, is working well across the service areas that use this process. The procedures are available on the Internal Intranet and give step by step information to the service areas. The adding and amending of debtor's accounts is completed by the service areas via the new e-form process, which are then reviewed for duplication or errors in details by the Income and Payments team. Checks are made by approvers once an invoice is raised, but there are no procedures in relation to checks to be completed prior to the adding/amending of new debtors but service areas have their own processes and procedures depending on the service being provided and where possible payment should be made prior to the service provided. Testing did not find any procedures for the Income and payments team to follow when completing their stage in this transactional processing, only a daily task list covering the tasks that need to be completed with minimal guidance. Income & payments have a daily task sheet in place for task completion but all supporting training guides for Income and Payments are dated 2020-2021 and there are no procedures regarding the checks required for adding new or amending current debtors accounts since the change to e-form submission approval as highlighted in the intranet guidance, their checks only relate to details entered and the duplication of accounts.	
Risks and consequences: Debts being inappropriately actioned leading to reputational risk and the misallocation of resources.	
Agreed action	**Officer responsible and by when**
Procedures to be updated for checks to be completed on new/amending debtors. All service areas to have procedures covering completion of aged debtors report task and timescales specific to their area.	I&P Manager & Group Accountant – 31st August 2024 - COMPLETED All Divisional Managers

EX 1.2 To ensure there is a robust process for setting up Debtors accounts. **Risk rating: Low**	
Findings: The new e-form process automatically flags if a duplicate debtor is set up, but only if spellings, and content are the same in each case. Minimal quantities of duplicate debtors were identified in testing and some cases of duplication are required for transactional processes. Where the Income and Payments Manager becomes aware of duplicate debtors these cannot be 'deleted' but are able to be made inactive for future use.	
Risks and consequences: Debts being inappropriately actioned leading to reputational risk and the misallocation of resources and debts being omitted leading to loss of resources.	
Agreed action	**Officer responsible and by when**
Appropriate Duplicate Debtors identified to be set to unusable in Civica.	I&P Manager – 31st August 2024
EX 1.4 Monitoring of unpaid DDs (ARUDD) and DD amendments and cancellations (ADDACS). Follow up action taken where necessary. **Risk rating: Low**	
Findings: Monitoring is being completed and recorded in the daily task list within Income and Payments and records saved in the Shared drive. During testing an issue was identified covering the end of 2022, start of 2023, where this wasn't fully completed, or details of actions recorded. Since March 2023 there have been no issues seen during testing and the I&P Manager has reviewed all the identified transactions that were missed, taking the appropriate actions required. There were procedures in place for ARUDDS, but none were available for ADDACS.	

Risks and consequences: Amended, cancelled or unpaid direct debts are not followed up, meaning loss of income to the council and reputational risk where cancellation or amendment should have occurred.

Agreed action	**Officer responsible and by when**
Produce ADDACS procedure notes and completes actions required on missed ARUDD's & ADDAC's.	I&P Manager – 31st August 2024 – COMPLETED

EX 1.5 To ensure PIMs have been authorised in a timely manner and by a separate officer to the initiator. Confirming that authorisation was in line with the debtor approver limits. **Risk rating: Low**
Findings: Testing was completed on 27 PIM's set up pre-e-form and post e-form roll out. Issues were found with 7 of the 27 of these - 1.89%. Of these all but 1 had a transactional reason for the delay in completion and authorisation connected to the individual service areas requirements. One of these was authorised by the same person that had raised the original PIM – but this was a change to a Garden Waste PIM and not a new set up and this was confirmed by the Business Support Lead (BSL) for Garden Waste. PIM records were also found to be on inactive on Civica system for Garden waste which are generated by customers via the external web site but unless a DD mandate is received than they remain inactive. The BSL for Garden Waste confirmed these are usually checked monthly and cleared.
Risks and consequences: It may not be possible to take recovery action if necessary if PIMs have not been set up correctly. This could lead to loss of income for CDC and a loss of income if invoices are not sent out. Risk of error from holding inactive PIM's and GDPR compliance.

Agreed action	**Officer responsible and by when**
Non-authorised PIM's to be reviewed monthly and appropriate action taken.	CCS Business Support Lead – 31 August 2024

EX2.1 Clear and current policy in place covering every dept and all stages of debt recovery. **Risk rating: Low**
Findings: There is a clear, detailed Debt Recovery policy in place that covers all service areas of the council. This policy was produced in March 2020, a review of the current policy due in February 2023 following Government consultations on Breathing Space and a review of the Council Tax Debt recovery processes – The Debt Recovery policy review is currently in progress and findings from this audit have been considered for its preparation. This is due to CG&AG committee in March 2024. Changes in service area names also require changing, e.g Taxation team.
Risks and consequences: Inconsistency in the application of Debt Recovery across the CDC. Reputational risk and legal vulnerabilities

Agreed action	**Officer responsible and by when**
Policy to be updated – including recommendations from this audit ready for Committee in March 2024.	Divisional Manager – Financial Services: March 2024.

EX 2.2 Procedures in place covering every dept and all stages of debt recovery and who is responsible for these. **Risk rating: Low**
Findings: Supporting the Debt recovery Policy are Debt recovery procedures available on the Shared drive – CDR1 – CDR6 covering the full scope of the Debt recovery process, these were found in testing to have been produced in 2020 and required updating. The key processes have remained unchanged, only amendments are required. There are also up to date procedures on the Internal Intranet under Debtors/Customers accounts covering the full process for Debtors required by service areas. All service areas met had knowledge of where to find the required guidance for all processes, but testing showed that the application of the procedures varied in consistency across the CDC. All current debts (excluding Estates) had been addressed correctly via the automated system within Civca, but following the referral to the Debt recovery team, evidence was seen of issues that should have been addressed earlier in the Debt recovery stages and delays in these actions. There had been no actions for Trade Waste debt.

Risks and consequences:
Inconsistency in the delivery of DR across the CDC, Reputational risk, and legal vulnerabilities

Agreed action	**Officer responsible and by when**
All Debt Recovery Procedures – CDR1 – CDR6 to reviewed and updated. SLAs to be updated between the Corporate Debt Recovery Team and the key services (Housing, Licensing, Trade Waste, Environmental Protection and Estates) –	Revenues and Debt Recovery Manager – 31st August 2024. Revenues and Debt Recovery Manager & applicable service area's – 31st August 2024.

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EX 3.1 The debtors control account is reconciled to the general ledger account on a regular basis to ensure that all debts raised, and income received is recorded in the general ledger. **Risk rating: Low**
Findings: Debtors' reconciliation spreadsheet shows no sign offs on reconciliation for all of 22/23 and February & March 2023 are not completed fully or signed There are no records of monthly reconciliation approval. There is one email saved for sign off for all Debtors Rec 2022/2023 to the Group Accountant on 28/4/23. Sign off has now been completed on 20/11/23, but these were reviewed at End of Year for external auditors and recorded on a tracker to show this for April 2023 sign off. This was just not recorded directly on the month by month or Year-end spreadsheet. Monthly reconciliation is now being completed and sign off has been recorded since April 2023 for each individual month up to September 2023. Issues with refunds are highlighted in the reconciliation emails for the end of year 2022-23. These date back to 2019, These were original £4,000. The monthly reconciliation is showing the figures to balance with these refunds rolled down into this financial year and without to highlight the matter and show the reduction in the figures. This current sits at £2,344.50.
Risks and consequences: The general ledger is not accurate meaning that the figures published in the statement of accounts may be inaccurate. This could lead to qualification of the accounts by the External Auditor which could result in reputational damage.

Agreed action	Officer responsible and by when
Procedures for completion of the debtor's reconciliation to be produced, including how to investigate issues and timescales expected. Historical Refund issues affecting the Debtors control accounts to be completed within an agreed timescale.	Capital Accountant – 31st August 2024. I& P Manager- 31st August 2024

EX 3.2 - An Aged Debtors report is produced and actioned as per guidance by every dept. **Risk rating: Medium**
Findings: The Debt Recovery policy states: Each unit/section will be responsible for ensuring that this policy is adhered to and implemented effectively. Divisional Managers and budget managers have a responsibility to monitor and report debt arrears monthly using the Aged Debt Report and completing the Monthly Aged Debt Return to the Income and Payments Team and are required to seek advice from the Director of Corporate Services (S.151 Officer) if support is required to manage a debt issue. Officers from the Taxation Team and Income and Payments Team should report regularly to the Strategic Leadership Team (SLT), so that management are aware of the financial risk of non-collection for the authority for its income streams where debt recovery action is being undertaken. An aged debt report annotated with accounts referred to the Taxation Team to be compiled quarterly, along with the quarterly write off reports for the Director of Corporate Services (Section 151 Officer). Not all depts are using the aged debtors report (2 across the CDC), Those that are, are not fully checking details (DM) or following the actions required (CCS) The procedures on the intranet are clear and up to date but other supporting procedures for Debt recovery e.g. CDR1 does needs to be updated – (this supports service areas understanding of the full process from Invoice to final letter before action) Appropriate action has been taken on a selection of 15 invoices tested for 2022-23 for each dept through all stages via automation through Civica and appropriate actions after Letter Before Action taken by the Debt recovery team have been completed, some were

over a longer period than expected, and many had actions completed by Debt recovery team that should have been completed by the Service Areas if monthly reviews of the aged debtors report had been completed. (Invoices for Service Areas tested x 10 plus additional for Licencing x2 and CCS/Trade Waste x3) CCS has not followed the process after DR stage due to 'Active accounts not being progressed in all cases to maintain business relationships. These are monitored outside of civica and shared monthly with the debt recovery team by CCS. Following a meeting with the DRTL – the company with the largest figure (Suez) is now being reviewed. But this leads to an inconsistency of approach across the council. I also completed testing on the oldest debts as of 2/11/23 - this raised the issue of 'Historic' debt sitting on the aged debtors report. Following discussions with DRTL- this is being reviewed and written off, but actions should have been taken in line with the Debt Recovery policy prior to this write off being completion and hasn't. Top 6 oldest tested – 4, were historic and unallocated to a specific service area and will now be written off. 1, which is from 2012 is the last time a court compensation order was completed, and final payments have not been made, the debtor has now absconded, so has been recorded to be written off. 1 to W/O as time barred. Q3 23/24. Largest Debts - as of 4/4/23 - x5 all processed as per Procedures - One Court action is progressing all documents in place to support this via legal. Recorded for write off once progressed via CCJ. Largest Debts - as of 2/11/23 - x 5 One invoice was highlighted in above court action. X 3 invoices are companies that have different payment terms so aren't true debts on the account - this was raised in a meeting 31/8/23 with Finance, Debt recovery and Estates due to the issues raised in estates. It was also seen in the review of the aged debtors report and records with these that where payment has been agreed by either Service area or Debt recovery, these were not being monitored to assure compliance to the payment's schedules. This can be managed easily within Civica and the aged debtors report.
Risks and consequences: Inconsistency in the application of DR across the CDC, Money is not recouped for CDC. Risk of reputational damage and loss of income.

Agreed action	Officer responsible and by when
All service areas to be completing the required actions around the aged debtors report monthly as per guidance on the Intranet and updating Civica/I&P.	All Service Areas – DM'S – Agreed by SLT
Service areas to have one contact for ownership of the Aged Debtors process for DR and I&P teams.	All Service Areas – DM'S – Agreed by SLT
Key contacts – look at possibilities of best practice sharing/task force.	All Service Areas – DM'S – Agreed by SLT
Discussions and meetings between DR and other depts to take place as per SLA's and minutes/notes recorded.	Revenues and Debt Recovery Manager – 31st August 2024
Monitoring of payment instalments to be managed and reviewed within Civica.	Revenues and Debt Recovery Manager & I&P Manager -31st August 2024
Each stage of the debt recovery process to be followed in line with the timescales in the policy including escalation to Court if debt meets Court action policy requirements.	Revenues and Debt Recovery Manager – 31st August 2024

EX 4.3 There is a consistent approach to write offs across each dept in CDC.
Risk rating: Medium

Findings:

Testing completed on debts from across all the council for General Ledger 22/23. x10 (from previous tracking of debts through processes) Only one went to write off stage, and this has been registered for W/O once IVA court process has been completed.
CCS x3 - All 3 debts have not been processed as per procedures - This would be from the previously raised issues of 'Active' accounts not going through the debt recovery process due to maintenance of business relationships. -
Licencing - x2 neither required progression to Write off stage.

The Oldest as of 02/11/23 - x5 of which x 4 are 'historic' Careline debts - these debts have been removed from the original Service area they were in and are now 'unowned' as such, following a discussion with the DRTL - All of the Historic careline debts have now been referred to I&P for Write off, and of the 16 Historic environmental debts, 12 have been referred for write off in Qtr. 3. of which 3 are time barred, 7 company in liquidation, 2 Abscond. There are 3 to review with Licencing and 1 with Environmental Health.
The oldest debts Debt from 2015 - recorded for write off in Qtr. 3 (after meeting with the DRTL) due to being time barred which is 6 years.
The largest debts - as of 4/4/2023 - x5
As above largest = IVA and gone for wo in qtr. 3 once court action completed. the other 4 have now been paid since April after Debt Recovery processes completed.
Largest debts to 2/11/23 -5 tested - 3 are showing as not progressed through debt recovery stages as these debtors have different payment terms which haven't been set up in the financial system correctly (Estates) One is as above the IVA and One had just entered Recovery stage one (DR3) of process on 7/11/23 so not far enough into timescales to assess. This has also been referred for follow up with the DRTL as states this is a grant agreement.

Records

Multiple debts for were recorded for June W/O had not been completed due to a duplication of work within the DR team - this has now been rectified and all corrected for Q3 W/O. (DRTL meeting notes)
2022-2023 - Write offs for the year document - this is the collation and authorisation of all write offs for each qtr. and end of year for 2022/2023 which has been signed and approved by the Director of Corporate Services. This is for all areas of DR across the council and highlights the write offs and from which year these originated in. This shows write off data for Feb 23 and March 23 - there is no data in the Sep 22 or Dec 22 tabs. There is also no detail regarding the related debtors for these figures. On reviewing the debt

recovery records- there are multiple spreadsheets, duplicate spreadsheets, and incomplete spreadsheets. There is a new template document - which looks to consolidate all these records dated May 23 - but this appears to not be in use. I found one spreadsheet that ties in with the tab of writes off in the year end document for Feb tab. Checking the data in this, all that had been recorded for write off, have been completed. - The year end figure being £17,510.68 but I could only find detail level for £5,363.49 of this. Following a meeting with the Revenues Team Leader, this missing data has been emailed to me. But had not been authorised for the lower value Write offs, but the overall figures for the year have been signed off as a whole by the Director of Corporate Services. The process for the raising of Write offs between Debt recovery and Income and Payments appears to be double handling off workload. The Debt Recovery team are recording in Civica Notes the invoices they believe should be processed for write off, which they send to I&P to process the write off through Civica, but I&P are also reviewing and 'approving' items from further investigations of the Overall debtor's accounts. These are then written off in Civica, prior to authorisation being provided and reversed if declined. Since meetings with DRTL, significant movement has occurred to Write off time barred debts in qtr3 which will see a reduction in the historic unenforceable debt and will hopefully enable the debt recovery team to focus on debts that have a chance of financial return not all due process has been completed to recover these debts historically. Within the Councils Risk management system (Pentana) there are actions highlighted around Debt recovery and namely Write offs. This states 'devise a write off plan for areas of debts requiring a thorough review including but not limited to Housing benefit and Council Tax. This is marked as completed 29th June 2023.	
Risks and consequences: Each dept is inconsistent in their approach and delivery of the write off procedures, write offs are not completed correctly or at all. Reputational risk and legal vulnerabilities, wasted resources.	
Agreed action	**Officer responsible and by when**
Clear records to be maintained for the Quarterly write offs for each service area and values including approval for all value levels. Historic debts to be reviewed with each service area and appropriate actions taken for all depts.	Revenues Team Leader – 31st August 2024. Revenue and Debt recovery Manager & all service areas. 31st August 2024.

The process of raising debts for write off between Debt recovery and Income and Payments to be reviewed so that debts are only being analysed once and that these are not processed within civica until authorisation has been given as per policy. Expansion of the Write off reason description for 'Unenforceable' to be included in the debt recovery policy update.	Revenue and Debt recovery Manager & I&P Manager – 31st August 2024. Divisional Manager – Financial Services – March 2024.

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of the Local Government Act 1972.

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Internal Audit Position Statement

Housing Benefits 2022/23

Audit Completed by Helen Thompson

Position Statement completed by

Laura Hutchison

Internal Auditor

31st January 2024

1 Introduction

1.1 This audit was carried out as part of the agreed audit plan for the 2022/23 financial year but was completed in June 2023 on 2022/23 financial data.

1.2 The Overall assurance level was: Assurance. 4 low risk exceptions were raised as a result of this review.

2 Scope

2.1 A follow up has been completed 6 months after the completion of the audit to review the progress of the 4 low risk exceptions raised with the Benefits & Systems Support Manager.

3 Outcome

3.1 **Exception 2.1:** A review of the Benefits procedure notes that are more relevant and bespoke to CDC will be undertaken. Those requiring a light touch will be given new issue dates, with any more complex ones being selected for a more extensive review as part of the process. Those where no change is required should be annotated with the date reviewed and no change necessary. – BTL 31/12/23

Feedback from Benefits & Systems Support Manager –

Procedure notes are in progress and external auditors accept the widely used resources as procedures. I agree that Chichester specific processes need to be written, and the focus will be on these. I see little point in creating updated procedure notes as is just to satisfy internal audit. They are not used by assessment staff, or external audit so I see little merit, I intend to wrap this up as part of a larger project – UC roll out between now and 2028 will change the assessment landscape and I feel that resource will be better placed here.

3.2 **Exception 4.1**: A new process is planned for claims that are manually created (this includes B&B claims). These claims will be reviewed to ensure a risk rating has been assigned. – B&SSM – 31/12/23

Feedback from Benefits & Systems Support Manager –

Having reflected further on this and Tenant Accounts will always require a risk score to be decided manually. These cases are scrutinised more to some extent as there are other processes that need to be completed to ensure that the claim is correctly calculated. As stated, this is low risk, and to be honest my longer-term plan would be to stop Risk Based Verification as with roll out of Universal Credit I am not sure it brings the same value as it once did. Will pick this up as procedural review.

3.3 **Exception 6.1**: Reconciliations should be performed each quarter and in a timely manner – S&SITL – 31/12/23.

Feedback from Benefits & Systems Support Manager – completed.

3.4 **Exception 8.1:** Consideration should be given to amending the Council's policy. B&SSM – 31/12/23

Feedback from Benefits & Systems Support Manager - noted.

3.5 **Summary**: All exceptions as highlighted above were low risk, the Benefits & Systems Support Manager fedback by email and these comments have been noted and filed for reference on assessing risk levels in the completion of future audits.

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Internal Audit Position Statement

Discretionary Housing payments.

Laura Hutchison
Internal Auditor
30th January 2024

1 Introduction

1.1 The original audit was completed in August 2022 for the 2022-23 audit Plan, this gave an Assurance level overall with four low-risk exceptions raised.

1.2 A follow up audit was completed in May 2023 for the 2023-24 audit plan, this also gave an Assurance level overall with one of the low-risk exceptions being addressed, one new exception raised, plus two issues of note needing to be reviewed.

2 Scope

2.1 A review of the exceptions raised from the 2023-24 audit were reviewed with the Benefits & Systems Support Manager in January 2024.

3 Outcome

3.1 All raised exceptions have now been completed with evidence provided by the Benefits & Systems Support Manager to support this.

Chichester District Council

Corporate Governance & Audit Committee 25th March 2024

Proposed New Ways of Working for Internal Audit 2024/25

1. Contacts

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2. Proposal

2.1. The committee to agree a fluid annual audit plan compiled using risk-based measures from the Strategic and Organisational Risk Registers, as required by The Institute of Internal Auditors (IIA) Global Standards and with the capacity to respond to newly emerging risks and investigations.

2.2. The committee to agree an agile audit approach is introduced to support the delivery of a risk-based audit plan which will fully utilise resources within the Audit and Investigations team.

3. Current ways of working

3.1 Currently there is a 4-year fixed plan of audits which is split into annual plans with no prioritisation other than the Key Financial Systems which are completed annually or bi-annually.

3.2 The selection process for these audits, which are not key financial systems, is solely by the last date of completion, irrelevant of the assurances achieved. Additionally, if time and resources allow then highlighted areas of concern by the Divisional Managers are also visited.

4. Advantages of risk-based audits

4.1 The Institute of Internal Auditors (IIA) have launched new Global Standards ("The standards") from 2024 which come into place on the 9th of January 2025. These standards are based on a risk-based approach of which we need to adopt to be compliant with the standards.

4.2 A risk-based audit approach can focus both internal auditors and service area resources on the highest risks across the council thus ensuring the council is taking every opportunity to protect itself from financial and reputational risk and deliver the audit service in the best conceivable way in the public interest.

4.3 All Audit planning would use the current Pentana/Ideagen platform highlighting both the corporate and strategic risks recorded within it that support the corporate plan.

5. Advantages of agile audit approach

5.1 Audit work is delivered in short sharp focused blocks of time, which will be defined by the audit scope and objectives. Each block of time will have its own well-defined objectives and goals.

5.2 Audit work is completed on site within the service area at the time of the audit with the stakeholder involvement throughout the process. This means the information and testing is up to date, relevant and not historic. Questions can be asked in the moment.

5.3 Internal and external stakeholders with a vested interest in the audit are invited to reviews throughout the process removing any chance the auditee will be surprised or uninformed of the outcome.

6. Risks if no changes are implemented

6.1 The current 4-year audit plan is difficult to achieve with the current resources and systems.

6.2 The Institute of Internal Auditors (IIA) have launched new global Standards. These standards focus on a risk-based approach which the council is not always undertaking. This will lead to non-compliance with Audit standards globally and noncompliance to PSIAS standards and the risk of losing our current accreditation.

7. Details of Proposal

7.1 The current 4-year audit plan is to be discontinued.

7.2 To move away from audit days as a way of monitoring performance with clear and concise KPI's, ensuring transparency. The KPI's will include a measure of minimum audit days based on the agile approach.

7.3 Internal Audit to use their independence to decide on the Annual Plan and the areas to audit, but with consideration of advice given from all stakeholders in the process.

7.4 The annual Audit plan will have clear windows of time for new and emerging risk areas so these can be audited if they arise.

7.5 All audit team members will be involved in each audit with the testing taking place in the service area if appropriate utilising investigation team skills if required. This will ensure that the entire team is Multi skilled and provides a contingency to all risks.

7.6 A review will be completed to streamline the reporting process to committee, SLT and Divisional managers to increase the impact and focus of all audit documentation.

8. Resources

8.1 The only outgoing expense would be a White board, which would be approx. £300 and can be funded from the already approved budget,

8.2 This plan aligns and enhances the proposal for a new audit IT Platform, but its delivery is not dependent on the system being implemented. However, if the system is purchased It will streamline processes and reporting which will in turn allow additional audits to be conducted with the same available resources.

9. Implications

Are there any implications for the following?	Yes	No
Crime and Disorder		x
Biodiversity and Climate Change Mitigation		x
Human Rights and Equality Impact		x
Safeguarding and Early Help		x
General Data Protection regulations (GDPR)		x
Health and Wellbeing		x

10. Appendices

10.1 Appendix 1 - Proposed Audit Plan 2024-2025.

11. Background papers

None

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Audit Area	Total Days
Strategic and Operational Risk	**95.00**
Corporate Risk Register	
Corporate Risk Register	
Corporate Risk Register	
Corporate Risk Register	
Corporate Risk Register	
Corporate Risk Register	
Key Financials	**110.00**
KF1	
KF2	
KF3	
KF4	
KF 5	
KF 6	
Divisional Managers/SLT priorities.	**80.00**
Succession Planning	
Fee Reviews (Across Council)	
DM/SLT (or lower priority audit)	
DM/SLT (or lower priority audit)	
DM/SLT (or lower priority audit)	
Knowledge - Assessment of Risks to be completed before decision	**70.00**
Car Loans	
Housing Debt	
Estates Debt	
Internal Recruitment/Contracts	
External Recruitment/Contracts	
Procurement	
Scam communications	

Equality & Diversity & Inclusion	
Supporting You	
Whistleblowing - Trial agile	
Insurance claims	
Gifts & Hospitality	
Follow Up's	**15.00**
Westward House	
Bank & Cash	
NDR Fraud	
Asset Management	
HB Overpayments	
Creditors Targeted - completed in full creditors	
Council Tax	
HR exam Fee's	
Debt Recovery	
Data Retention	
Creditors	
Building Control	
Rent in Advance (and damaged deposit)	
Summary	
Allocation to audit	**370.00**
Allocation to Investigations	**370.00**
Contingency for emerging risks (across audit & Investigation)	**60.00**
Other Chargeable work (EY, Committee)	**28.00**
Non Chargeable work (Elections/Professional Training)	**72.00**
Total Days	**900.00**

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of the Local Government Act 1972.

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