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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 29 March 2018** at **9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown,

Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr G Hicks,

Mr F Hobbs, Mr S Morley and Mr P Wilding

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 - 7)

The committee is requested to approve the minutes of its ordinary meeting on 25 January 2018.

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 12:00pm the day before the meeting is available <u>here</u> or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).

6 **Terms of Reference of the committee** (Pages 8 - 9)

The committee is requested to consider and note its Terms of Reference as stated in the Council's Constitution.

- 7 Audit Planning Report for year ending 31 March 2018 EY (Pages 10 44) The committee is requested to consider and note Ernst & Young LLP's Audit Planning Report for the year ending 31 March 2018.
- 8 **Audit Committee Briefing EY** (Pages 45 56)
 The committee is requested to consider this briefing from Ernst & Young LLP.
- 9 Internal Audit Audit Plan Progress (Pages 57 69)
 The committee is requested to consider and note the Building & Facilities Service audit report, to note progress on the 2017-18 Audit Plan and to consider and comment on the Audit Plan for 2018-19.
- 10 **2017-18 Accounting Policies** (Pages 70 104) The committee is requested to:

- (a) Consider this report and approve the council's current accounting policies at Appendix A as an appropriate basis to prepare the Council's 2017-18 financial statements.
- (b) Approve the principles set out in this report to review and refocus financial disclosures for 2017-18 to improve readability and increase impact.

11 **Carry Forward Requests 2018** (Pages 105 - 107)

The committee is requested to consider and recommend to Cabinet the requests for budgets to be carried forward to 2018-19 totalling £90,000.

12 Strategic and Operational Risks 2017-18 (Pages 108 - 153)

The committee is requested to:

- a) Recommend to Cabinet and Council that the updated Risk Management Policy and Strategy be approved.
- b) Note the current strategic risk register and the internal controls in place plus any associated action plans to manage those risks and to raise any issues or concerns.
- c) Note both the high scoring programme board and organisational risks, the mitigation actions in place and to raise any issues or concerns.

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) 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 the Council** (Pages 154 - 157)

The committee is requested to note the potential liabilities of the Council.

NOTES

- 1. The press and public may be excluded from the meeting during any item of business where 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. Restrictions have been introduced on the distribution of paper copies of supplementary information circulated separately from the agenda as follows:
 - Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers receive paper copies of the supplements (including appendices).
 - b) The press and public may view this information on the council's website here <u>here</u> unless they contain exempt information.

- 3. The open proceedings of this meeting will be audio recorded and the recording will be retained in accordance with the council's information and data policies. If a member of the public enters the committee room or makes a representation to the meeting, they will be deemed to have consented to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please liaise with the contact for this meeting at the front of this agenda.
- 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 intention 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.



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 25 January 2018 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr J Brown, Mrs P Hardwick,

Mr F Hobbs, Mr S Morley and Mr P Wilding

Members not present: Mr G Barrett, Mr T Dempster, Mrs N Graves and

Mr G Hicks

In attendance by invitation: Mr M Young (Ernst & Young LLP)

Officers present: Mrs H Belenger (Accountancy Services Manager),

Mr N Bennett (Legal and Democratic Services Manager),

Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer) and Mrs S Peyman (Sport and Leisure Development

Manager)

167 Chairman's Announcements

The Chairman welcomed all to the committee. She drew members' attention to the death of Mr Paul Jarvis who had been a valued member of this committee for a number of years.

Apologies had been received from Mr G Barrett, Mrs N Graves and Mr G Hicks.

168 Approval of Minutes

The minutes of the last meeting held on 23 November 2017 were considered and the following amendment was agreed:

Minute 165 – Internal Audit – 2017-18 Audit Plan Progress, page 9, first para: Mrs Hardwick **The committee** referred members to page 9 of the minutes, second bullet point, where the committee had requested a more comprehensive explanation of delayed audits to be provided in the audit plan progress report to allow the committee to fully understand the reasons and to be able to debate the issues and raise concerns. **It was agreed that** the explanation needed to confirm that authority had been given by Mr Ward that he had deemed the audit not able to be audited at that time. If the scope of the audit was not relevant to the current situation then it should be stated. Mrs Belenger undertook to liaise with Mr James as to how to present that information in order to allay the concerns of the committee.

RESOLVED

That the minutes of the last meeting held on 23 November 2017 be agreed as a correct record subject to the above amendments.

Matters arising:

Minute161 – Financial Strategy and Plan 2018-19, page 3, third para: The Chairman referred members to the amendment to these recommendations made at Council on 23 January 2018 in relation to the minimum level of reserves held. Also due to the introduction of the new IFRS9 accounting standard for 2018-19 accounts which applied to certain types of investment an adjustment had been made to provide for a £565,000 charge to revenue in respect of this in 2018-19.

169 Urgent items

There were no urgent items for consideration at this meeting.

170 Declarations of Interest

No interests were declared at this meeting.

171 Public Question Time

No public questions had been received.

172 Certification of claims and returns annual report 2016-17

The committee considered the report attached to the agenda. Mr M Young of Ernst & Young LLP presented the report, advising that this was his last presentation to the committee and that Mr J Jones would be replacing him as the council's Audit Manager.

Mr Young drew members' attention to the certification procedures for the Housing Benefits subsidy claim set down by the Department for Works & Pensions (DWP). There was no stated materiality meaning that every error identified from the sample had to be reported. The council paid housing benefit to claimants and claimed a subsidy back from the Government. A number of errors had been established. The first case in the report was the highest monetary value and had resulted from a misclassification on the claim form to the DWP. The DWP allowed an error threshold which, if it was exceeded, would result in the subsidy reverting to 0%. The council was in discussion with the DWP to guery this matter and an answer was due shortly.

The indicative fee for 2016-17 had been increased as a result of the additional work done on the housing benefit certification. The auditors were obliged to agree any variations to the fee with the council and with Public Sector Auditor Appointments Limited (PSAA). The same level of error as that experienced two years previously was assumed in setting the fee and related to performing certain procedures. If further errors were found which required testing then the cost for this work would be passed on to the local authority.

From 2018-19 the council had the right to appoint its own reporting accountant. Ernst & Young LLP was in discussion with the council on preparing a tender for that work. The summary of recommendations, agreed action and comment from the council referred to refresher training on housing benefit claims and to a focus on error reduction.

The committee made the following comments and received answers to questions as follows:

- The council receives subsidy payments monthly.
- The level of error was higher this year than had been experienced in previous years and higher relative to other local authority claims.
- The value of errors which impacted claimants was mostly between £1 and £5 and the committee should take comfort from these low value errors.
- The Revenues and Benefits service was going through a major service review and there may be temporary staff in place. A revised structure would come into force in April 2018 and staff would work towards improving the error ratio.
- There was no carry over to the next year. The DWP could decide to adjust the council's subsidy and then a closure letter would be issued.
- The total value of the error was roughly £190,000 which was about 0.5% of the
 total value of the claim of £35m. There was concern that any further
 investigation would not reduce the adjustment to the subsidy claim. Discussions
 were ongoing between EY, DWP and the council to decide whether we would
 wish to challenge the qualification.

Mr Young wished to record his thanks to the council officers for their assistance to him whilst carrying out his audit work.

RESOLVED

That the Certification of Claims and Returns Annual Report 2016-17 be noted.

173 Treasury Management Strategy, Policy and Prudential Indicators 2018-2019

The committee considered the report attached to the agenda. Mr Catlow presented the report.

Mr Catlow reminded members of the workshop held with Arlingclose in December and gave the committee a brief description of the treasury management (TM) areas where the council's risk had increased. Page 30 of the report described the council's risk appetite and the strategy, practices and procedures all related back to that risk. He took members through the key amendments which had been made to the 2018-19 Strategy and TM practices.

The committee made the following comments and received answers to questions as follows:

- The glossary was well received and found to be very useful.
- Clarification that the floating £5m would only be invested if we had a statutory override that would not reflect on the fair value balance. This was not being recommended at present but it was allowed for within the next 12 months

- pending the outcome as to whether the Ministry of Housing, Communities and Local Government (MHCLG) would be overriding the accounting requirement in the code.
- Discrepancy between figure in the table and later on page 31 it should read £61.6m in penultimate paragraph.
- Concern at the circular manner between the risk appetite and the council's investment objective and the lack of guidance for the team in practice. *Tables* 5, 6 and 7 contain the detail on limits that is used operationally and which transposes to the TM software.
- Queried the move to using banks with strong A- credit ratings (from the weaker BBB+ rating) and whether the strategy should provide leeway to invest in something prudent with a bank rated BBB+ or potentially be faced with the need to seek authority from the committee to review the strategy in that event in future. If banking credit rates fell again we would have headroom in money market funds but would need to convene the committee to review the strategy in any event. Since 2008 we had had a changed environment in terms of bail-in arrangements. There was flexibility to go elsewhere if a major crisis occurred. Using other local authorities or central government via the Debt Management Office was the general direction of travel.
- The chart at page 31 showed an investment return of 1.67% with local authority pooled funds achieving 4.88%. Queried whether we had a target for external pooled funds and whether we could target a return closer to inflation? We had a target of 0.54% for our overall return on internal investments which related to the top half of that table. The committee had previously requested that officers think about how we report in terms of performance of these funds. Some progress has been made. We did not have a specific target for external pooled funds. But if they fell significantly we would look to put the investment elsewhere.
- Queried the benchmarking which took place with other local authorities? The workshop held with our TM advisors Arlingclose in December 2017 had a chart which showed that over the last two years the council had moved from midway on the table to one of the top performers. It is a challenge for local authorities to achieve a real rate of return because of the priority for security. The real rates of return were on investments with risk attached.

A full discussion was held on the IFRS9 financial standard and the risk this placed on the council. It was considered that perhaps it had been introduced due to the need for Government to keep an eye on the poorer performing councils which, with no reserves and huge capital losses, were below the Government's radar at present and which could go into receivership. This council was performing better than others and the risks to the council had not changed therefore it was felt that we should be more open about having a large reserve and deal with the change transparently in the financial model and accounts.

We should not assume the override would happen but start working on what mechanism we would use to handle the fair value undulations. The mitigation on page 53 of the report to the risk of a fall in the fair value of external pooled funds is the nub of how this should be dealt with.

Mrs Belenger explained that perversely the IFRS9 standard might push councils to stop investing in those pooled property funds where the risk is spread evenly and to start investing directly in property e.g. the Spelthorne investment which could be seen as a higher risk. The council's property fund was a long term investment to ride out the capital change and the Council was benefitting from an income stream. The Brexit vote resulted in a downturn in the economy. Officers were doing everything to manage those risks and hopefully going forward we would still have adequate balances to override any losses in fair value, however we may not undertake any new investments affected by IFRS 9 in the near future.

RECOMMENDED TO CABINET

That the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Prudential Indicators for 2018-19 be recommended to Council for approval.

174 Budget Review 2017

Mrs Tull provided an oral report on the deliberations of the Budget Task and Finish Group which had met on 12 December 2017.

A response was awaited from Mr Frost on whether the council would be required to buy in the relevant expertise to compensate for the loss of the Historic Building Advisor post. [Post meeting note: The restructure of the Conservation and Design team involves the net loss of roughly half a post when adjustments to the team's duties are taken into account, including the cessation of the CDC Historic Buildings Adviser providing historic building advice to Arun DC. The team retains 3fte's which is considered adequate for the service area. It was not anticipated that there would be a need to buy in historic buildings advice services other than exceptionally, when any decisions would be made on a case by case basis.]

Mrs Tull advised that members of the group had been satisfied with the explanations on the projected variances in the 2018-19 Budget. The Budget Spending Plans report was being considered by Cabinet in February and Council in early March.

RESOLVED

That the oral report on the Budget Task and Finish Group be noted.

175 General Data Protection Regulations (GDPR)

The committee considered the report attached to the agenda. Mr N Bennett presented the report.

The committee made the following comments and received answers to questions as follows:

Training for members – The ICO would be providing guidance for elected members on processing data. Members were currently registered individually with the ICO. The next Members' Bulletin provided a steer on GDPR for members. An online training module would be offered to members once this had been updated based on the ICO guidance. In May training would be available for members before the Council meeting.

- The ICO would audit the council on its implementation of the regulations; it would either be every second year like Ofsted, or if there were breaches it would be ad-hoc.
- The council had been considering GDPR for 18 months whereas a lot of other
 organisations had come to it late. We would have a set of rules and records fit
 for purpose and managers who were confident that they could use data
 properly and were reducing their records in an informed way. Processes would
 be reviewed annually.
- The key issue was not in deleting data; it was not allowing data to go somewhere it shouldn't. A policy was required and should include how the council would go about disclosure to the ICO if we had an incident. 13 policies were in place that deal with information law in some way e.g. CCTV. The idea was to produce a simplified set of policies. Any mistakes made were learning opportunities and it was vital that we faced these honestly. There was an ICO telephone line to discuss possible breaches and it was useful to talk it through with them before formal reporting. Deletion of data was being considered by reviewing the council's retention policies.
- Queried whether insurance was possible to cover us for incidents of loss? The
 council cannot insure against its own criminal action; this was similar to health
 and safety laws. Public indemnity insurance was in place.
- Control was back with the individual. A standard form of words needed to be developed for every document. Officers were regularly sent a list of issues to be resolved and an example of words to use specifically for their own service. Revenues & Benefits and Housing has been completed. All managers had had advice on 'consent' and 'public duty exemption to consent'.
- These regulations would still be in place if Brexit went ahead next year. It
 applied to all businesses that process data in the UK regardless of where they
 were based.
- The rules applied to anyone who dealt with data. Members would be classed as data controllers if they had information on residents.
- Queried whether there was there a blanket approach to policies which covered everyone? Whilst there were some fundaments, there were others which were quite different. Whoever was dealing with data was expected to deal with it in a secure way. The more sensitive the information was e.g. sexuality, political parties etc. the more care was needed.
- Queried the accountability and governance arrangements which required to be put in place? Was the council signing up to a code of conduct? A requirement was that a suitably qualified Data Protection Officer (DPO) be appointed. Mr Bennett had had the required training and now awaited confirmation that he has achieved the qualification. As well as being the council's Monitoring Officer he would also be the council's Data Protection Officer. The committee needed to assure itself that he was suitably qualified to ensure that the council's data was properly governed. In some areas local authorities had banded together to appoint a joint DPO.
- Queried whether we needed to be setting standards for parish councils? Parish councils would need to put their own procedures in place. It was suggested that GDPR be included on the agenda for the next All Parishes Meeting.

RESOLVED

That the work being undertaken to ensure that the authority was compliant with the provisions of the General Data Protection Regulations by 25 May 2018 be noted.

176 Internal Audit - Audit Plan Progress

The committee considered the report attached to the agenda. Mr S James presented the report. Mrs Peyman was also present to take any questions on the Contract Management audit.

Mr James advised that the two audit reports on Contract Management and Income Management were included in the report as well as the 2017-18 Audit Plan progress report. He also advised members that, following the previous agenda item, an audit of GDPR would take place next year once arrangements had been fully embedded. An audit of car parks income would be carried out again in April 2018.

The Chairman drew the committee's attention to paragraph 4.1 in the report regarding the Museum and Tourist Information Centre audits carried out over the last six years. Following the concern expressed at the last few meetings regarding the deferral of this audit, she advised that the fact that the Museum had been audited a number of times over the years should give the committee confidence as well as the fact that issues were often audited holistically in some other way as well. Mr James confirmed that this audit would be carried out within the period of quarter four (ends 31 March 2018).

The committee was concerned that the shape of the Audit Plan had not changed as had been requested at previous meetings. The last column in the progress report should be in bullet form and provide progress information including any deferrals or delays, giving details of who authorised the deferral. Mrs Belenger undertook to consider a different way to present the Audit Plan in order to provide the committee with the relevant information.

RESOLVED

- 1) That the two audit reports on Income Management and Contract Management be noted.
- That progress against the 2017-18 Audit Plan be noted.

The meeting ended at 12.15 pm		
CHAIRMAN	Date:	

Agenda Item 6

Corporate Governance and Audit Committee – Terms of Reference

Constitution: 10 Members of Council including the Cabinet Member for

Corporate Services and a representative from the Overview and Scrutiny Committee, and the membership to be

based on political proportionality.

The Committee will report directly to the Council. The Chairman shall not be a member of the Cabinet.

Frequency of Meetings: at least 4 times per year

Terms of Reference

- 1. Identify and consider new corporate risks and review existing known risks along with the control and monitoring arrangements in place.
- 2. Review or determine the Internal Audit priorities based on the corporate governance issues and risk assessments made.
- 3. Review progress/effectiveness and probity of corporate governance within the authority, arrangements with external audit, internal audit and the implementation of their recommendations.
- 4. Report to full Council each year or at any time where significant issues or concerns are raised, on corporate governance issues and the internal arrangements in place to monitor and control risks.
- 5. Monitor the effectiveness of committees and panels.
- 6. Keep the Council's financial regulations and contract standing orders under review and make recommendations to the Cabinet and the Council.
- 7 Ensure effective scrutiny of the Council's treasury management strategy and policies.
- 8. Consider reports from the Chief Finance Officer on the Council's financial control systems.
- 9. Consider reports from the Chief Finance Officer on the Council's insurance policies and self-insurance arrangements.
- 11. Monitor systems and policies to prevent fraud.
- 12. Approve annually the final accounts of the Council.
- 13. Monitor the efficiency of the Council's services as required.
- 14. Annually review how the Council deals with complaints from members of the

- public relating to services provided by the Council including those complaints referred to the Local Government Ombudsman and the effectiveness of the operation of the Corporate Complaints Scheme.
- 15. Monitor S.106 obligations and the spending of the Community Infrastructure Levy (CIL).
- 16. Receive reports from the Council's external auditors, the ombudsman and other appropriate bodies and propose appropriate action.







Chichester District Council East Pallant House 1 East Pallant Chichester PO19 1YT

Dear Corporate Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

13 March 2018

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

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 29 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). 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 (updated February 2017)" 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 the 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.





Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Corporate Governance and 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 PY	Details
Risk of management override	Fraud risk/ Significant risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Valuation of Land and Buildings and Pension Liabilities	Other financial statement risk	Increase in focus	The valuation of land and buildings and pension liabiltiles are complex and is subject to a number of assumptions and judgements, including reliance by management on the work of an external expert.
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Materiality			

Planning materiality £1.423m Performance materiality

Materiality has been set at £1.423m, which represents 2% of the prior years gross revenue expenditure.

Performance materiality has been set at £1.067m, which represents 75% of materiality.

£1.067m Audit differences £0.071m

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, the related notes and the collection fund and related notes) greater than £0.071m. Other misstatements identified will be communicated to the extent that they merit the attention of the Corporate Governance and Audit Committee.



Overview of our 2017/18 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Chichester District Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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.

Then 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.

Audit team changes



Partner in charge

Kevin takes over from Paul King as the Engagement Lead. Kevin has significant public sector audit experience over 20 years, with a portfolio of Local Authorities, Local Government Pension Fund and National Park Authority audits.



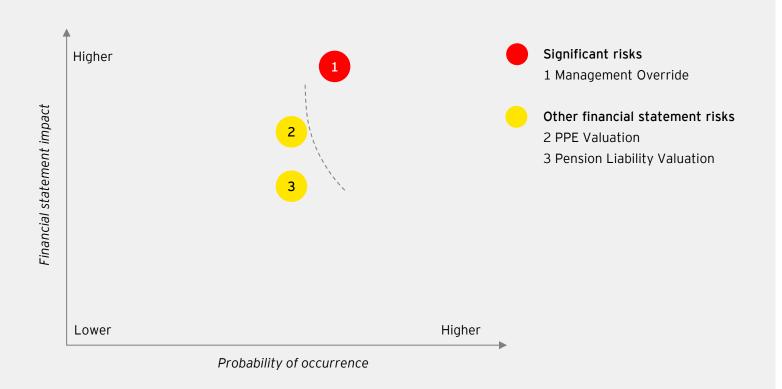
Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:





Audit risks

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.

Risk of management override*

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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 and Ireland) 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?

- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- Review accounting estimates for evidence of management bias;
- Evaluate the business rationale for significant unusual transactions;
 and
- Evaluating the appropriateness of any changes in accounting policy

Audit risks

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?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) 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.

Page 19

Pension Liablity Valuation

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 West Sussex County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £4.3 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- Review the competency of the valuer by assessing their qualifications, experience and professional reputation;
- Review the relationship of the valuer to the Council;
- ► Review the output of the Council's valuer;
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (where necessary);
- Review the valuation methodology and techniques to determine whether they are complete, adequate and consistent with appraisal methodology given the circmstances of the property in its market; and
- ► Test the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

We will:

- Liaise with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Chichester District Council;
- Assess the work of the Pension Fund actuary (Hymans) 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; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.





Value for Money

Background

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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. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
 Work with partners and other third parties.

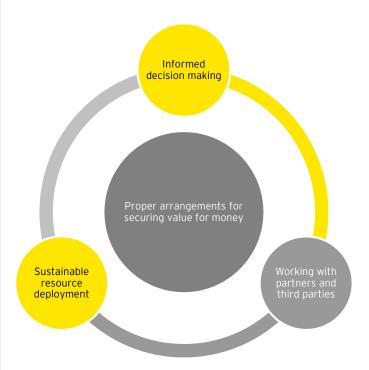
considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks.





₩ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.423m. This represents 2% of the Council's prior year gross revenue expenditure. It will be reassessed throughout the audit process. Gross revenue expenditure is the most appropriate basis for determining planning materality for a public sector body and we consider misstatements greater than 2% of gross revenue expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix D.



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 performance materiality at £1.067m which represents 75% of planning materiality. There have been few errors in the past and when they have been material has been isolated in nature. The control environment does support the prevention and detection of errors and no material weaknesses have been identified in prior years. In our judgement, the possibility of misstatements exceeding 25% is considered remote.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and the collection fund 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 and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Corporate Governance and Audit Committee, or are important from a qualitative perspective.



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and 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 objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we —will undertake during the course of our audit.

$oldsymbol{\Phi}$ rocedures required by standards

Addressing the risk of fraud and error;

 $\mathbf{2}$ Significant disclosures included in the financial statements;

- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- · Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- · Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain 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.

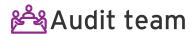
Give greater likelihood of identifying errors than random sampling techniques.

e 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 regularly meet with the Principal Auditor, and 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.





Audit team

The engagement team is lead by Kevin Suter, who has significant experiences of auditing District Councils and Local Government bodies. Kevin is supported by Jason Jones, who is responsible for the day-to-day direction of audit work and Helen Edgecombe who is the key point of contact for the finance team and together will ensure that the audit delivers high quality and value to the Council.

Use of specialists

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 EY specialists are expected to provide input for the current year audit are:

Area	Specialists
ឃាំuation of Land and Buildings	EY Valuations Team
© Pensions disclosure	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 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; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

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.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes	October		
age	November	Corporate Governance and Audit Committee	2016/17 Annual Audit Letter
ωWalkthrough of key systems and ○processes	December		
	January	Corporate Governance and Audit Committee	Audit Planning Report
Testing of routine processes and controls Interim audit testing	February		
Testing of routine processes and controls Interim audit testing	March	Corporate Governance and Audit Committee	Progress Report
	April		
	May		
	June		
Year end audit	July	Corporate Governance and Audit	Audit Results Report
Audit Completion procedures	▼	Committee	Audit opinions and completion certificates

X Audit timeline

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- gqq quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- mplete and prompt responses to audit questions.

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If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ► Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - ► Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
 - Agree the team and timing of each element of our work with you.
- ► Agree the supporting working papers that we require to complete our audit.





Introduction

The FRC Ethical Standard 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 June 2016, 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

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the 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:

The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.

 Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ 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 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;
- Written confirmation that all covered persons are independent;
- 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 any contingent fee arrangements for non-audit services provided by us or our network firms;
 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 also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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 Kevin Suter, 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 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.

wig believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

the time of writing, there are no planned non-audit services.

Aself 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 with Ethical Standard part 4.

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

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.

Other communications

EY Transparency Report 2017

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 ended 1 July 2017 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017

Fage 35





Appendix A

Fees

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

PSAA has published a scale fee for all relevant bodies. 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 NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	49,090	49,090	49,090
Certification of claims and resurns	7,847	7,847	14,031*
Ral audit	56,937	56,937	63,121
Other non-audit services	-	-	-
Total other non-audit services	0	0	0
Total fees	56,937	56,937	63,121

All fees exclude VAT

The agreed fee presented 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; and
- ▶ The Council has an effective control environment.

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.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

 $^{^{*}}$ 2016/17 fees for Housing Benefit certification are still to be confirmed by PSAA



Regulatory update

In previous reports to the Corporate Governance and Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and	audit of the financial statements from 2017/18
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Petails age 38	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Chichester District Council	These changes provide challenges for both the preparers and the auditors of the financial statements. We held a faster close workshop for clients on 29 November 2017 to facilitate early discussion and sharing of ideas and good practice.
	 We are now working with the Council on ideas coming from the workshop, for example: Streamlining the Statement of Accounts removing all non-material disclosure notes; Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; Establishing and agreeing working materiality amounts with the auditors.



Required communications with the Audit Committee

We have detailed the communications that we must provide to the Corporate Governance and Audit Committee. Our Reporting to you Required communications What is reported? When and where Terms of engagement Confirmation by the Corporate Governance and Audit Committee of acceptance of terms of The statement of responsibilities serves as the engagement as written in the engagement letter signed by both parties. 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 Communication of the planned scope and timing of the audit, any limitations and the Audit planning report approach ag e 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 Significant findings from Our view about the significant qualitative aspects of accounting practices including Audit results report accounting policies, accounting estimates and financial statement disclosures the audit 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



Required communications with the Audit Committee (continued)

		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
sstatements o 40	 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 Corrected misstatements that are significant Material misstatements corrected by management 	Audit results report
Fraud	 Enquiries of the Corporate Governance and 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 A discussion of any other matters related to fraud 	Audit results report
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



Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence Pag	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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	Audit Planning Report and 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	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Corporate Governance and 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 Corporate Governance and Audit Committee may be aware of 	Audit results report
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit results report



Appendix C

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	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
age Reporting 42	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

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 and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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.
- Dbtaining 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 Corporate Governance and Audit Committee reporting appropriately addresses matters communicated by us to the Corporate Governance and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

age 43



Additional audit information (continued)

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 financial statements; and
- ► 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 consider material at the end of the audit 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 significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.





Contents at a glance



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

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

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

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

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

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



Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop. The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

Business rate retention – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020–21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

New homes bonus – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

Carillion liquidation

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities. The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

Public sector pay

Since 2013, the Government has implement a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent with in the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will received higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.



IFRS 15 – revenue from contracts with customers

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

- 1. Identify the contract(s) with a customer
- 2. Identify the performance obligations in the contract
- 3. Determine the transaction price
- 4. Allocate the transaction price to the performance obligations in the contract
- 5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

- ► Fees and charges for services under statutory requirements
- Sale of goods provided by the authority
- Charges for services provided by a local authority

EY - CIPFA Accounts Closedown Workshop 2017-18

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Failure to meet a deadline at one client could potentially put delivery of others

To mitigate this risk we will require:

- Good quality draft financial statements and supporting working papers by the agreed deadline
- Appropriate staff to be available throughout the agreed audit period
- ► Complete and prompt responses to audit questions

If your authority is unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

Summary of faster close activities

Finance teams are:

- Critically appraising the content of their accounts, removing unnecessary disclosures
- Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals
- Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work
- Focusing on judgements and significant estimates earlier including engagement with auditors
- Reviewing the de-minimis level for accruals, including discussion with auditors
- Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old
- Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

- Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas
- Increasing the use of analytics to interrogate ledger and payroll transaction data
- Using the online EY client portal to streamline communications with finance teams
- Attending workshops with finance teams on accounting issues and effective working papers
- Selecting items for sample testing earlier

Together finance teams and auditors are:

- Holding regular meetings throughout the year to share progress and discuss issues
- Planning respective activities to ensure sufficient capacity on both sides
- Revisiting audit issues from the prior year, agreeing how similar issues can be avoided
- Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.



EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

- Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000
- Data Protection Officers (DPOs) DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data
- Accountability organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures
- Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

- Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent
- Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals
- ► Introduction of new rights right to be forgotten, right to data portability and right to object to profiling
- Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default
- ▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

Find out more

EY ITEM Club Forecast

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

2018-19 Local Government Finance Settlement

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf

https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day

http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0

Carillion collapse

http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion

http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse

Public sector pay

http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf

http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years

IFRS 15 - revenue from contracts with customers

http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/\$FILE/ey-applying-revenue-october-2017.pdf

EY - CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at http://www.cipfa.org/training



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ED None

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 March 2018

Audit Report, Audit Plan & Progress Report – Audit Plan

1. Contacts

Report Author:

Stephen James – Principal Auditor

Tel: 01243 534736 E-mail: sjames@chichester.gov.uk

2. Recommendation

- 2.1. The committee is requested to consider the audit report and note the progress on the 2017-2018 Audit Plan.
- 2.2. The committee is requested to consider the Audit Plan for 2018-2019.

3. Main Report

3.1. Building & Facilities Services

Internal Audit together with input from the Building & Facility Services Manager and the Procurement Officer completed an Operational Risk Assessment for the Audit. This determined the controls to be tested to ensure compliance in the following areas of the service.

- To document and test the processes being followed for the procurement of goods and services under £50k and to ensure that they are in accordance with the Council's Contract Standing Orders and Financial Regulations.
- To identify and report on any areas of non-compliance against the regulations mentioned above.

In the main contract standing orders are being complied with, however, the service does not keep adequate records relating to low value contacts.

It was agreed between Internal Audit, the Building Services Manager and the Procurement Officer that detailed procedure notes need to be put in place to support contract standing orders. These procedures are currently being updated together with health & safety procedures.

The Audit has made four recommendations two significant and two important which have been agreed by Management.

3.2. Audit Plan 2018/2019

The audit plan for 2018/2019 has been prepared and considers the risk, value and system complexity. Each audit will also review the arrangements for securing value for money, and the identification of potential efficiency gains. It is envisaged that a large proportion of audit work will be to undertake the Key Financial Systems work which will

allow the External Auditors (Ernst & Young) to place reliance on Internal Audit's work, rather than re-test these areas themselves. The remaining time will be taken up with annual activity and audits that are high risk, or have not been audited before.

4. Background

4.1. Not Applicable

5. Outcomes to be achieved

5.1. Not Applicable

6. Proposal

6.1. Not Applicable

7. Alternatives that have been 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

	Yes	No
Crime & Disorder:		√
Climate Change:		√
Human Rights and Equality Impact:		√
Safeguarding:		√
Other (Please specify):		√

12. Appendices

- 12.1. Building & Facilities Audit Report
- 12.2. Progress Report Audit Plan
- 12.3. Audit Plan 2018/2019

13. Background Papers

13.1 None



Internal Audit Report

2017/18

Building & Facilities Services

Julie Ball Auditor

May 2017 – (updated January 2018)

Contents

Audit: Facilities & Building Services

Auditor: Julie Ball

Chichester District Council Internal Audit Report

If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction	.3
	Scope	
	Findings	
4	Conclusion	. 5
	Recommendations	
	Action Plan – Appendix 1	

1 Introduction

- 1.1 The audit of the Building & Facilities Service was undertaken in accordance with the 3 year cyclical audit plan. This plan has been approved by the Corporate Governance and Audit Committee at Chichester District Council.
- 1.2 The Building Services team are responsible for the procurement of goods and services for all planned and reactive works within the council. This team is required to comply with the council's Contract Standing Orders and Financial Regulations that relate to; the ordering of works, goods and services under official orders.

2 Scope

- 2.1 Internal Audit, together with input from the Building & Facility Service Manager and the Procurement Officer, completed an Operational Risk Assessment, for the audit. This determined the controls to be tested, to ensure compliance in the following areas of the service provided:
 - To document and test the processes being followed for the procurement of goods and services under £50k and to ensure that they are in accordance with the Council's Contract Standing Orders and Financial Regulations.
 - To identify and report on any areas of non-compliance against the regulations above.

3 Testing and Findings

- 3.1 From September 2012, the Council's Constitution was updated to enable the use of framework agreements. This would replace the need to maintain a Standard List of Contractors. One framework agreement covered the procurement of Minor and Specialist Works for a period of four years. During the audit, Internal Audit was informed by the Procurement Officer that this framework agreement (and others) was no longer in place as they had expired in August 2016. The Service was not restricted to using framework agreements and were able to employ other suitable contractors.
- 3.2 Both the Minor Works & Specialist Framework and the Minor Reactive Repairs Frameworks were set up by the Procurement Service in 2012. Anecdotal evidence suggests that both agreements were reviewed on an adhoc basis between 2013 and August 2016, when the frameworks expired. These frameworks should have been formally reviewed on an annual basis to ensure their financial worth; insurance and health & safety accreditations are up to date and recorded. The Procurement Officer and the Building Services Manager stated the framework did not work effectively because of the lack of interest by contractors for minor works. Therefore the frameworks were not renewed on their expiry in 2016.
- 3.3 Contract Standing Orders (contained within section 4 of The Constitution) sets out the procedures to be followed by officers procuring goods and services on behalf of the council. A general ledger report was run to identify minor works orders from April 2016 to January 2017, a sample of 23 transactions was chosen at random and tested to ensure contract standing orders had been followed.
- 3.4 Testing found that two contractors were employed in the belief of a current framework agreement after expiry. Under the agreement no checks were required to be carried out. Post Audit evidence has since been provided from the Contractors Health & Safety Assessment Scheme (CHAS) portal to show that they were CHAS accredited at the time of employment.
- 3.5 Within Contract Standing Orders, for orders up to £10k, it states, "to ensure best value is obtained, preferably 2 quotes". Out of the 23 orders identified from the transaction report, only quotes for 5 orders were found and could be evidenced. Quotes for the remaining 18 orders had not been sought as they related to; emergency works, specialist works or part of a tender exercise, which is acceptable in these circumstances.
- 3.6 In March 2016, the Council's Health & Safety Manager carried out a Head of Service challenge across the council. A recommendation was made for Building Services to record their checks of their contractors' first level health and safety checks (CHAS or equivalent, i.e. anything deemed to satisfy the Safety Schemes In Procurement (SSIP) accreditation scheme), as well as insurance details, there was no evidence provided at the time of the audit that this had been achieved. As a result, Building Services have now co-ordinated this information to be shared and made accessible to all services across the

council. This information is important and needs to remain current, and regularly reviewed. Post audit evidence has been supplied from the service's on-line portal that contractors tested had been CHAS accredited except for one where the company has been dissolved.

- 3.7 A pre-works checklist form is a requirement for health & safety and should be completed in all cases, not just of the contractor but others that may be affected whilst on site. It is reasonable that in the case where contractors are used on a regular basis, on the same site, the checklist is only completed once; however, these should be retained and checked at each visit to ensure that the information is still current. Testing found and Internal Audit was informed that these were not always completed. The service need to ensure that checklists are completed at all times where required.
- 3.8 Testing identified 7 orders that were over the value of £10k, 4 of these were not tested as they were part of a contract over £50k and therefore outside the scope of this audit. The remaining 3 were found to have quotes that were correctly approved and paid through the general ledger (creditors system).
- 3.9 Contract Standing Orders (Paragraph 2.1) state that for spends between £10k and £50k the Procurement Officer is to be informed. This was not the case and Internal Audit was informed by the Procurement Officer that he was only aware of 3 contracts out of a sample of 7.
- 3.10 Financial Regulations state that orders placed verbally, must be confirmed by an official order on the same day; only pay invoices for which there is an official order and only use the Council's electronic ordering system except in exceptional circumstances where an official paper order must be used. From the sample of 23, testing found that official orders were not issued for 14 purchases. As a result, purchase orders were raised and approved retrospectively and any variances between the purchase order and invoice would not be shown on Civica the Council's finance system. The Service is currently discussing a way forward with the Exchequer Manager to establish a principle where the value of a contract could fluctuate.
- 3.11 The Local Government Transparency Code 2015 sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. The Code requires local authorities to publish information relating to their expenditure over £500. Testing found from a sample of 25 that expenditure had been published on the council's intranet.

4 Conclusion

- 4.1 In the main, contract standing orders are being complied with. However, Building & Facilities Service's do not always keep adequate records relating to the low value contracts.
- 4.2 At a meeting held between Internal Audit, the Building Services Manager and the Procurement Officer it was agreed that detailed procedures need to be put

- in place to support contract standing orders. These procedures are currently being updated together with Health & Safety procedures.
- 4.3 As a result of this audit the following recommendations have been made to tighten controls for the procurement of low value work orders.

5 Recommendations

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
 - Red Significant issues to be addressed
 - Amber Important issues to be addressed
 - Green Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.6	That the newly compiled database is kept up to date and remains current.	Facilities & Building Services Manager	Significant	Yes	The service has completed compiling a data base.	With immediate effect
	Those services across the council are made aware of the access of a database and their responsibility to update their data.	Facilities & Building Services Manager	Significant	Yes	A data base will be made available to services on the Council's x: drive.	With immediate effect
3.7	Pre-work checklist is issued and current.	Facilities & Building Services Manager	Important	Yes		With immediate effect
3.11	Purchase orders need to be placed on Civica to show approval prior to the commencement of works.	Facilities & Building Services Manager	Important	Yes	In consultation with the Exchequer service for the best way forward for orders where the value is unknown.	With immediate effect

Progress Report – Audit Plan



As at 28th February 2018

Appendix 2

			Appendix 2
Auditor	No of Days	Days Remaining	Position with Audit
Stephen James	20	16	Planning Complete
Julie Ball	20	19	Testing
Auditor	No of Days	Days Remaining	Position with Audit
Sue Shipway / Julie Ball / Stephen James	110	0	Complete
Stephen James / Sue Shipway	15	0	Ongoing
Stephen James / Sue Shipway	2	0	Monitoring Role and progress report
Stephen James / Sue Shipway	15	2	Ongoing
Sue Shipway / Julie Ball / Stephen James	9	7	Ongoing
Sue Shipway / Julie Ball / Stephen James	64	54	Ongoing
Sue Shipway / Julie Ball / Stephen James	10	0	Ongoing
Sue Shipway	20	7	Ongoing
Stephen James	20	0	Report Completed
Ann Kirk/Julie Ball	2	0	Report Completed
Sue Shipway	15	0	Report Completed
Sue Shipway	5	0	Completed-No issues arising
	Stephen James Julie Ball Auditor Sue Shipway / Julie Ball / Stephen James Stephen James / Sue Shipway Stephen James / Sue Shipway Stephen James / Sue Shipway Sue Shipway / Julie Ball / Stephen James Sue Shipway Stephen James Ann Kirk/Julie Ball Sue Shipway	Stephen James 20 Julie Ball 20 Auditor No of Days Sue Shipway / Julie Ball / Stephen James 110 Stephen James / Sue Shipway 15 Stephen James / Sue Shipway 2 Stephen James / Sue Shipway 15 Sue Shipway / Julie Ball / Stephen James 9 Sue Shipway / Julie Ball / Stephen James 10 Sue Shipway / Julie Ball / Stephen James 10 Sue Shipway / Julie Ball / Stephen James 20 Sue Shipway 20 Stephen James 20 Ann Kirk/Julie Ball 2 Sue Shipway 15	Stephen James 20 16

Leisure Centres - Contract Management	Sue Shipway	15	0	Report Completed
Income Management	Julie Ball	15	0	Report Completed
Business Continuity	Julie Ball	5	0	Position Statement Completed
Information Technology (GDPR/Data Security) - Position Statement	Stephen James	15	0	Position Statement Completed
Building & Facitities Services	Julie Ball	20	0	Report Completed
Section 106/CIL - Follow Up	Stephen James	15	0	Follow Up complete to be re-visited in May 2018
Deferred/ Removed to reduce				
Budgetary Control	N/A	15		Delegated responsibility and monitored by Finance
Contracts/Procurement	Ann Kirk	10		Completed in 2016-17 (see above)
Customer Services Centre	Stephen James	15		Incorporated with GDPR/Data Security
Westward House	N/A	10		Income already covered by Income Management
Inclusion in Key Financial Systems 2017-18				
Cre dito rs	Sue Shipway / Julie Ball / Stephen James			
Deterors	Sue Shipway / Julie Ball / Stephen James			
Payed	Sue Shipway / Julie Ball / Stephen James			
NNDR	Sue Shipway / Julie Ball / Stephen James			
Treasury Management	Sue Shipway / Julie Ball / Stephen James	_ 110	0	Completed
Fixed Assets	Sue Shipway / Julie Ball / Stephen James			
Council Tax	Sue Shipway / Julie Ball / Stephen James			
Bank Reconciliation	Sue Shipway / Julie Ball / Stephen James			
Budgetary Control	Sue Shipway / Julie Ball / Stephen James			

		Steve James	Sue Shipway	Ann Kirk	Julie Ball	тот
Audits for 2018-2019 and Other Chargeable Work	516	156	130	126	104	510
-						
New Audits for 2018-2019	Audit Days					
Use of Consultants (Southern Gateway)	15					15
Personnel & Recruitment (Gifts and Hospitality Car Loans & Debts)	15					15
T (Inventory follow up) & IT & Building Security	20					20
T GDPR Post Implementation	15					15
Income Generation	20					20
Grants Paid	10					10
Corporate Recharges	15					15
Car Parks - Follow Up	5					5
Estate Rent Arrears	10					10
Trade Waste	15					15
Trade Waste	140	0	0	0	0	140
	140		•		· ·	17
Key Financial Systems Audits for 2018-2019	Audit Days					
Asset Management	15					15
Cash and Bank	12					12
Council Tax	12					12
Creditors	12					12
Debtors	12					12
Housing Benefits	12					12
NDP	15					15
Payroll	12					12
Treasury Management	15					15
Troubly Management	117	0	0	0	0	117
Annual Activity						
Planning and Control (Audit planning and reviews)	14	7	7			14
Meetings/discussions with EY	3	2	1			3
Committee reports and representation	15	11	4			15
Corporate Advice	15	8	3	2	2	15
AGS and Evidence	15	15				15
Contingency	34	14	10	6	4	34
Public Sector Internal Audit Standard (PSIAS)	20	15	5			20
Follow Ups	24	6	6	6	6	24
	140	78	36	14	12	140
Chargeable Work Total	397	78	36	14	12	397
Non Chargeable Work						
Management	20	18	2	_		20
Administration	11	5	2	2	2	11
Elections	2	1	1			2
Performance and Appraisals	2	1	1			2
Training	4	1	1	1	1	4
General Meetings	4	1	1	1	1	4
··-·g-						70
Annual Leave (inc Public Holidays)	72	22	20	15	15	
Annual Leave (inc Public Holidays) Sickness Non Chargeable Work Total	72 4	22 1	20 1 29	15 1	15 1	72 4

Chichester District Council

Corporate Governance and Audit Committee

29 March 2018

2017-18 Accounting Policies

1. Contacts

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2. Recommendation

The committee is requested to:

- (a) Consider this report and approve the council's current accounting policies at Appendix A as an appropriate basis to prepare the Council's 2017-18 financial statements.
- (b) Approve the principles set out in this report to review and refocus financial disclosures for 2017-18 to improve readability and increase impact.

3. Background

- 3.1. In following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), the Council complies with the requirements of International Financial Reporting Standards (IFRS) except where CIPFA has agreed that departures from these standards are necessary and permissible in the context of local government, or to comply with the statutory framework that the sector is subject to.
- 3.2. The Code specifies the principles and practices required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.
- 3.3. The Code is reviewed continuously and is normally updated annually. The 2017/18 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2017.

4. Changes to the Council's 2017-18 financial statements and accounting policies

4.1. CIPFA/LASAAC has made no significant changes to the Code for 2017-18 and, as a result, the existing accounting policies, subject to this Committee's

- approval, remain unchanged.
- 4.2. Following last year's report by CIPFA 'Telling the Story', there is a continued effort on focusing the presentation of Local Authority accounting statements to improve their readability and impact.
- 4.3. CIPFA confirms at paragraph 2.1.2.11 of the Code that, if information is not material to the true and fair view of the financial position, financial performance and cash flows of the Council and to the understanding of users it need not be disclosed. With this in mind, officers have reviewed the accounting policies and disclosure notes in the Council's Financial Statements to ensure they are focussed on information that is important to the presenting of a 'true and fair' view to service users and stakeholders.
- 4.4. In practice this means that;
 - (a) For accounting policies, only those that are material to a reader's interpretation of the accounts will be included.
 - (b) For disclosure notes, unless the note is qualitatively material (paragraph 4.6) or required by statute, the note will not be prepared or will be replaced by a shorter text disclosure

The Council's draft accounting policies prepared on these principles are included in Appendix A, which the main changes marked.

- 4.5. In determining if a disclosure note contains material information or not, both qualitative and quantitative aspects of materiality will be considered.
- 4.6. This report proposes to set a quantitative materiality level of £1,000,000 for the total of any income, expenditure, assets or liabilities disclosed in a single note.
- 4.7. To help the Committee gauge the impact of this, if this is applied for 2016-17, the following notes would not have been prepared, or would have been replaced by a shorter text summary:
 - (a) Assets held for sale:
 - (b) Intangible Assets:
 - (c) Available for sale Financial Instruments Reserve
 - (d) Deferred capital receipts reserve
 - (e) Grant receipts in advance
 - (f) Finance lease Council as lessee
 - (g) Operating leases -Council as lessee
 - (h) Contingent Liabilities
 - (i) Contingent Assets
 - (j) Credit risk exposure to Financial Instruments
- 4.8. There are a number if disclosures that, even though they involve relatively small sums, are considered to be of particular interest to users and stakeholders and therefore would be retained. These disclosures are considered to be qualitatively material and are proposed as:

- (a) Members' allowances
- (b) Officers' remuneration
- (c) External Audit Costs
- (d) Related Parties
- (e) Termination benefits
- (f) Market risk exposure to Financial Instruments
- (g) Investment property income and expenditure
- 4.9. Officers also intend to reduce the disclosure of accounting policies where they are felt not to be material or are clearly covered by the overriding statement applying the Code. Applying these principles reduces the total length of the Council's disclosed accounting policies from 22 pages to 10, shown in Appendices A and B
- 4.10. To aid readers of the accounts, a summary of the approach and limits used in determining which notes and Accounting Policies to disclose has also been included in the draft accounting policies.
- 4.11. Officers have prepared a draft skeleton of the statement of accounts based on these principles for discussion with the Council's External Auditor. This document was shared with Ernst & Young on 22 February and a verbal update will be provided as to their comments to aid the Committee's deliberations.

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. Appendices

- 6.1. Appendix A Draft accounting policies 2017-18
- 6.2. Appendix B Presentational changes in accounting policies between 2016-17 and 2017-18

7. Background Papers

7.1. None.



1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 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.

In accordance with the Accounting Code of Practice, these accounts are prepared on a going concern basis.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods 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.
- Revenue from the provision of services is recognised when the Council can measure reliably the
 percentage of completion of the transaction 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 on the basis of 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.

1.3 Materiality

Where possible, the Council prepares disclosure notes for items in the principal statements that are either above £1,000,000, or are judged to be of particular interest or importance to users of the Financial Statements.

1.4 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 are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

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

Prior period adjustments may arise as a result 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.

1.6 Accounting for Taxation

Under the Code, taxation tax 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 tax payers.

1.7 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

The Local Government Pension Scheme (LGPS)

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Employees of the Council are members of the Local Government Pensions Scheme, administered by West Sussex County Council. As the scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council, it is accounted for as a defined benefits scheme.

Scheme Liabilities are discounted to their value at current prices, using a discount rate of 2.6%. 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 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.

The change in the net pensions liability is analysed into the following components:

- Service Cost Comprising:
 - current service cost the increase in liabilities as a result of years of service earned this
 year allocated in the Comprehensive Income and Expenditure Statement to the services for
 which the employees worked.
 - past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the **Provision** of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs within Finance and Governance.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - the return on plan assets excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex County Council pension fund cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.8 Financial Instruments and Investments

<u>Financial Instruments.</u> 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 and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments at 31 March 2017.

<u>Financial Liabilities</u> 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. They are measured at amortised cost.

<u>Financial Assets</u> A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

<u>Offsetting Financial Assets and Liabilities</u> The Council has not offset any material financial instruments and had no other material financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available for sale assets are maintained in the Balance Sheet at fair value level 1, derived from quoted prices in active markets for identical assets or liabilities

- For the Council's investment in the Local Authority property fund, fund values published by CCLA have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.
- For Corporate Bonds, the Fair Value is taken from the Market (Bid) Price
- For the Stable Net Asset Value money market funds, shares are issued with an unchanging face value of £1. This value has been used as the Fair value as for every £1 of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Fair values are shown in note 14, 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, e.g. bond prices
- 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

1.9 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.

1.10 Heritage Assets

Tangible and Intangible Heritage Assets

The Heritage assets held by the Council are a collection of assets or artefacts either exhibited or stored at a number of sites in the district including the Novium Museum, Pallant House Gallery and Fishbourne Roman Palace, or other local venues. The Museum Collections consist of geological, archaeological, social history and local history artefacts, images and associated information. The principal collections include:

- The Hussey Bequest collection including furniture, paintings and other domestic wares, which is based at the Pallant House Gallery
- Archaeological collections which are held both at the Novium Museum and Fishbourne Roman Palace.

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

1.11 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.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.12 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).

Property plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the asset life, +or lease term if this is shorter than the asset's estimated useful life (where ownership does not transfer to the Council until the end of the lease period).

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.

Finance lease rental payments or receipts are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment applied to write-down the lease liability or debtor, and
- A finance charge (interest payable or receivable) recognised within Financing and Investment Income & Expenditure line of the Comprehensive Income and Expenditure Statement.

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).

1.13 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 deminimis.

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, they are accounted for by:

- 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 revalued 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.

1.14 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.

1.15 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.

1.16 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.17 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Notes to the Accounts



1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17supported 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.

<u>In accordance with the Accounting Code of Practice, these accounts are prepared on a going concern basis.</u>

An underlying assumption in the preparation of the financial statements is the concept of a going concern. This concept assumes that the Council's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods 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.
- Revenue from the provision of services is recognised when the Council can measure reliably the
 percentage of completion of the transaction 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; 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 on the basis of 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.

1.3 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 are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. <u>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</u>

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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no
 accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non current assets attributable to the service.

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation.

1.14 Accounting for Council Tax Taxation

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

Since the collection of Council taxtaxation 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 Council tax payers.

1.15 Accounting for Non-Domestic Rates (NNDR)

The regime around the income that local Councils collect from Non Domestic Rates (NNDR) or Business Rates is one where this income is shared between central government, the local Council and other major precepting bodies (such as West Sussex County Council in Chichester's case).

Under the Code, the NNDR income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year. The difference between the NNDR 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 on the General Fund Balance.

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

1.16 Business Improvement District (BID)

A Business Improvement District (BID) applies to the City Centre area of Chichester. This scheme is funded by a BID levy paid by non-domestic ratepayers. The Council is the billing authority for the scheme and as such collects and distributes the relevant levy income.

As the BID levy income is the BID body's revenue, the Council as the billing authority is not required to show any transactions in its Comprehensive Income and Expenditure statement since it is collecting the BID levy income as an agent on behalf of the BID body.

1.171.15 Employee Benefits

iii. 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.

iv. Termination Benefits

Termination benefits are amounts payable as a result of a decision by When the Council is demonstrably committed to terminate an officer's the termination of the employment before the normal retirement date of an officer or group of officers or making an officer's decision offer to acceptencourage voluntary redundancy in exchange for those benefits and, these costs are charged on an accruals basis to the appropriate service or respective Service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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.

The Local Government Pension Scheme (LGPS)

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be

made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etcetc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6%. 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 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.

The change in the net pensions liability is analysed into the following components:

- Service Cost Comprising:
 - current service cost the increase in liabilities as a result of years of service earned this
 year allocated in the Comprehensive Income and Expenditure Statement to the services for
 which the employees worked.
 - past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs within Finance and Governance.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:

- the return on plan assets excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Sussex County Council pension fund cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.18 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.

1.191.16 Financial Instruments and Investments

<u>Financial Instruments.</u> 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 and government grants, do not give rise to financial instruments.

The Council held no material derivative financial instruments at 31 March 2017.

<u>Financial Liabilities</u> 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. <u>Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument</u>, they are measured at amortised cost. <u>and comprise:</u>

- A short term bank overdraft with the Council's banker
- finance leases
- trade and contractual payables for goods and services received

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

<u>Financial Assets</u> A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The financial assets held by the Council during the year are held under the following classifications:

Loans and receivables, which comprise:

- cash in hand
- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprise:

- an investment with the Local Authority Property Fund
- Investments in corporate bonds; and

• Stable Net Asset Value money market funds.

The Council does not hold any assets that are valued at fair value through profit and loss.

i- 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 either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council has not offset any material financial instruments and had no other material financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Financial Instruments - Fair Values

Fair values are shown in note 14, 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, e.g. bond prices
- 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

ii. Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Fair values have been estimated where required by calculating the net present **value** of the remaining contractual cash flows at 31st March 2017 by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. They are classified as Level 2 Fair values, as they are calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

iii. Soft Loans

The Council has made a number of loans to individuals under an assisted car purchase scheme, to tenants under the housing private sector renewal scheme and to tenants of certain Council owned shops for improvements where the tenant has a repair obligation. These loans have been provided either interest free or at a rate below current market levels.

These soft loans are considered not to be material to the Council's accounts as the present value of the interest that will be forgone over the life of the instrument is less than 10% of the value of investment income received in the year. The amount presented in the Balance Sheet is the outstanding principal receivable, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available for sale assets are maintained in the Balance Sheet at fair value level 1, derived from quoted prices in active markets for identical assets or liabilities

- For the Council's investment in the Local Authority property fund, fund values published by CCLA have been used as these represent the prices in the principal market within which the Council would normally enter into a transaction to sell the asset.
- For Corporate Bonds, the Fair Value is taken from the Market (Bid) Price
- For the Stable Net Asset Value money market funds, shares are issued with an unchanging face value of £1. This value has been used as the Fair value as for every £1 of principal invested, the fund will return £1 of principal on withdrawal by the Council, plus interest.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is

where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Fair Values

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair values are shown in note 14, 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, e.g. bond prices
- 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

1.201.17 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. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced to the Council as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is

credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

From 1 February 2016 the Council elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Account in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, an administration charge of up to 5% may be used to fund revenue expenditure.

1.21 1.18 Heritage Assets

Tangible and Intangible Heritage Assets

The Heritage assets held by the Council are a collection of assets or artefacts either exhibited or stored at a number of sites in the district including the Novium Museum, Pallant House Gallery and Fishbourne Roman Palace, or other local venues. The Museum Collections consist of geological, archaeological, social history and local history artefacts, images and associated information. The principal collections include:

- The Hussey Bequest collection including furniture, paintings and other domestic wares, which is based at the Pallant House Gallery
- Archaeological collections which are held both at the Novium Museum and Fishbourne Roman Palace.

Heritage assets are recognised and measured (including the treatment of valuation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements

of intangible heritage assets are also presented below. The Council's collection of heritage assets are accounted for as follows.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where this is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Leisure and Wellbeing Service will occasionally dispose of heritage assets which are unsuitable for display in accordance with its disposal policy. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Assets above deminimis are recorded separately and any other items below the deminimis, where a value can be obtained are recorded collectively.

ii. Hussey Bequest Collection

The Hussey Bequest collection is reported in the balance sheet on an insurance valuation. This collection was a donated asset. No further acquisitions will be made or any disposals unless allowed under the terms of the bequest.

iii. Archaeological/Museum Collections

These values have been based upon; either their historical rarity, market value or purchase price, as recommended by a panel of independent experts at the British Museum (the Treasure Valuation Committee). The Council use these values for insurance purposes.

1.22 Interest

Gross interest earned by the Council is in the first instance credited in total to the Comprehensive Income and Expenditure Account. For **2016-17** this amounted to £0.44m.

2. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.23 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet. Works in progress are shown at cost, whereas stocks held at year end are shown at latest invoice price. Although this is a departure from normal accounting practice the overall effect on the accounts is immaterial. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.241.19 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.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal

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Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.251.20 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

i. The Council as Lessee

Finance Leases

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).

The assets so recognised are matched by a liability for the obligation to pay the lessor (supplier). The Council's initial direct costs of acquisition are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Where applicable, contingent rents are charged as expenses in the periods in which they occur.

Lease rental payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment applied to write-down the lease liability, and
- A finance charge (interest payable on the outstanding liability) debited to the Financing and Investment Income & Expenditure line of the Comprehensive Income and Expenditure Statement.

Property plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the asset life, +or lease term if this is shorter than the asset's estimated useful life (where ownership does not transfer to the Council until the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual provision is made from revenue funds (i.e. the MRP) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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).

The Council has only one operating lease above the de-minimis level of £10,000.

ii. The Council as Lessor

Finance Leases

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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matchedreplaced by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated

to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement the finance lease.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset, this is retained inon the Balance Sheet. Rental income is credited to the Other Operating Expenditure linerecognised in the Comprehensive Income and Expenditure statement. Credits 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. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.26 Minimum Revenue Provision

Local authorities are required by statute to set aside each year some of their revenue to provide for repayment of debt in respect of capital expenditure financed by borrowing or credit arrangements, known as the Minimum Revenue Provision (MRP).

For assets acquired by credit arrangement (Finance Leases), the Council's policy is to charge MRP against its general fund equal in value to the principal amount repaid as part of the lease rentals to the supplier (lessor) in each financial year.

MRP is charged to the CIES as a transfer to the Capital Adjustment Account within the adjustments between accounting basis and funding basis under regulations line in the Movement in Reserves Statement (MiRS).

1.271.21 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. 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 deminimis.

Measurement

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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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, they are accounted for by:

- 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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.

Where impairment losses are identified, they are accounted for by:

- 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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

International Accounting Standard 16 (IAS16) — Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and derecognition of parts of assets (referred to as componentisation). Componentisation is applied for depreciation purposes on enhancement or acquisition expenditure incurred and revaluations carried out from 1 April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation. The Council's policy on componentisation is:

Only assets with a gross book value of £500,000 and over will beare considered for componentisation.

Of those assets, for the purpose of determining a 'significant' component of an asset, components
with a value of 20% in relation to the overall value of the asset and over £100,000 will be considered
and then only if the component has a different useful life for depreciation purposes, so as to result in
depreciation charges that differ materially from the depreciation charges had the asset not been
componentised.

Disposals and Non-current Assets Held for Sale

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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Normally a proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. However, the pooling arrangement for housing capital receipts does not apply to the Council's share of receipts from sales under the preserved rights to buy arising from the Large Scale Voluntary Transfer of the Council's housing stock. Capital receipts received are credited to the Capital Receipts Reserve, and can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.281.22 Provisions, Contingent Liabilities and Contingent Assets

i. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

ii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

iii. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.29 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.25 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.

1.26 Section 106 Developer Contributions

Section 106 of the Town and Country Planning Act 1990 permit local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers which restrict the development or use of the land in any specified way, require specific operations or activities to be carried out in, on, under or over land, require the land to be used in any specified way and/or require a sum or sums to be paid to the local planning authority on a specified date or periodically.

There are two types of agreement; those for providing some form of service e.g. maintenance of bus shelters and those to assist undertaking some form of capital project.

Money received under a Section 106 agreement is not applied for any other purpose than that provided

under the agreement. The agreements provide for the return of monies if works are not carried out after a specified period. 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.

1.27 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 MARCH 2018

Carry Forward Requests

1. Contacts

Report Author:

David Cooper, Group Accountant,

Tel: 01243 534733 E-mail: dcooper@chichester.gov.uk

2. Recommendation

2.1 That the Committee considers and recommends to Cabinet the requests for budgets to be carried forward to 2018-19 totalling £90,000.

3. Background

- 3.1 In accordance with Financial Regulations, at the end of each financial year the Committee may determine that unspent balances of a specific nature may be carried forward into the following financial year.
- 3.2 Unspent balances at the year-end normally revert to general balances and are taken into account when considering the budget strategy for future years. Exceptionally, however, the Committee may take the view that an underspend arises from circumstances outside the control of the budget manager and that it is in the Council's best interests to carry forward a budget.
- 3.3 The Council is required to issue its Statement of Accounts by 31 May, and approve and publish its audited accounts by 31 July. As a consequence of this earlier deadline the Accountancy Service implemented a number of initiatives to accelerate the closedown process. This included the bringing forward of approvals for carry forward requests.

4. Outcomes to be achieved

4.1 The approved carry forward of unspent 2017-18 budgets into the 2018-19 financial year.

5. Proposal

5.1 The Council's financial system provides budget managers with easy access to the financial data relating to their approved budgets. As a result, managers no longer need to rely on the Accountancy Service to provide them with up to date financial information as they are able to self-service the system for themselves. Therefore budget managers are now better placed to be able to forecast their year-end budgetary position earlier than before.

- 5.2 All carry forward requests agreed by this Committee, are agreed in principle, subject to the funds being available and unspent at the year end. It may be necessary to claw-back the approval if it is found that the budget requested to be carried forward has been spent or the income not received when the Council's outturn position is established.
- 5.3 The earlier approval of carry forward request benefits the Accountancy Service with the year-end closure process, and also budget managers as approved carry forwards will be available in their budgets from the start of the new financial year.
- 5.4 The carry forward requests in Appendix 1 have been received from budget managers. The Committee is asked to consider the reasons behind each carry forward requested to satisfy itself that the underspends have not arisen due to poor performance, and request the Cabinet to approve their carry forward into 2018-19.

6. Alternatives that have been considered

6.1 None

7. Resource and legal implications

7.1 None. If approved these sums will be transferred to an earmarked reserve and drawn upon in 2018-19.

8. Consultation

8.1 These requests are supported by the Chief Executive and the Head of Finance and Governance Services.

9. Community impact and corporate risks

9.1 None.

10. Other Implications

	Yes	No
Crime & Disorder:		✓
Climate Change:		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help:		✓

11. Appendices

11.1 Schedule of Carry Forwards Requests from 2017-18 to 2018-19.

12. Background Papers

12.1 None.

RESIDENTS' SERVICES

Chichester Contract Services

- 1) One-off funding of £50,000 was approved by Cabinet in April 2016 in order to support the delivery of the Council's Recycling Action Plan and meet 50% recycling rate by 2020. This funding has since been utilised to develop and implement an effective communications campaign and reduce recycling guidance. A proportion of the funding was also allocated specifically for the production of domestic waste and recycling bin stickers. The stickers were trialled in 2017 and reviewed by the Waste and Recycling Panel who agreed that the stickers should be rolled out further during 2018. The carry forward request is to fund the rollout of the sticker project and support the continuation of the existing communications campaign.
- 2) £20,000 was allocated to support a "binfrastructure" review as part of the Litter Strategy Action Plan. Work has started on the review but expenditure will not take place in this financial year. The funds will be required to provide additional bins in 2018/19.

CORPORATE SERVICES

Financial Services

ge

Underspend on approved staffing budget due to a staff vacancy and maternity leave during the year. Request to carry forward the underspend for
the new Assistant Corporate Counter Fraud officer's role for a provision to fund temporary staff resources when necessary to meet the key targets
and deadlines for the internal audit and corporate fraud service plan.

Democratic Services

1) As a result of a conveyancing post going into phased retirement there is an underpend on the legal team's salary budget. Part of this underspend has been used to fund a new junior conveyancing post in the current year. To assist with succession planning it is requested that the remaining saving of some £12,000 is carried forward in order to part fund the new post so that they may work alongside the existing conveyancing postholder until they retire during 2018-19.

Total Carry Forwards

Budget Manager	Amount
	£
Amie Huggett	24,700
Andy Howard	17,300
Helen Belenger	36,000
Nick Bennett	12,000
	20.555
	90,000

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

29 March 2018

Strategic Risk Update

1. Contacts

Report Author:

Helen Belenger, Accountancy Services Manager,

Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

2. Recommendation

The committee is requested to:

- 1) Recommend to Cabinet and Council that the updated Risk Management Policy and Strategy be approved.
- 2) Note the current 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) Note both the current high scoring programme board and organisational risks and the associated mitigation actions in place, and raises any issues or concerns.

3. Background

- 3.1. In accordance with the governance arrangements set out in the Risk Management Strategy and Policy, the Strategic Risk Group (SRG) reviews the strategic and programme board risk registers, and the high scoring organisational risk register bi-annually. The Corporate Governance and Audit Committee last received an update on the risk registers on 23 November 2017.
- 3.2. Since November, the Strategic Leadership Team (SLT) has received quarterly updates on the risk registers for December and March. They have also considered any new risks associated with the service plans for the forthcoming financial year (2018-19).

4. Outcomes to be achieved

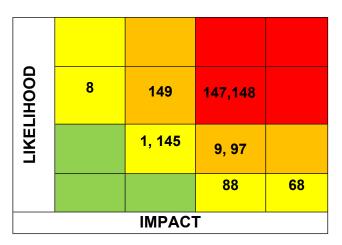
- 4.1. To adhere to good practice, the Council's Risk Management Policy and Strategy is reviewed and refreshed as necessary.
- 4.2. The Strategic, Programme Board and Organisational Risk registers are current and relevant to the Council and its operation, and those risks are well managed in accordance with the Council's Risk Strategy and Policy.

5. Risk Management Policy & Strategy

- 5.1. The Policy and Strategy were first approved by Council in March 2013, with the last update in 2014 to reflect a new management structure.
- 5.2. Appendix 1 sets out the changes required to the policy and strategy to reflect the new management structure for 2018 and any changes recommended from the SRG review.
- 5.3. The Committee are requested to consider if there are any further changes required to the policy or strategy or the framework.
- 5.4. In accordance with the Council's Constitution any suggested changes will need to go through to Full Council for approval, after further consideration by Cabinet.

6. Update on the Strategic Risk Register

- 6.1. The strategic risk register was considered by the relevant risk owner prior to the review by SLT and SRG.
- 6.2. SRG considered the updated risk register, with its discussions focussed on the current risk scores, the latest situation affecting the risk position, and the mitigation action plans that are in place or being developed to manage the identified risks.
- 6.3. The heat map below shows where the individual risks are placed based on the recent assessment against the risk scoring matrix:



Key to Risk Numbers:

1 = Financial Resilience, 8 = Skills, Capability/Capacity, 9 = Business Continuity, 68 = Health & Safety, 88 = Recycling Target, 97 = Cyber Risk, 145 = Breach of Data Protection Act, 147 = Southern Gateway Regeneration, 148 = Local Plan, 149 = Impact of Universal Credit (UC) on working claimants across the district.

- 6.4. Since the last report to the Committee in November 2017, the risk scores have remained unchanged for the previously identified existing strategic risks. However three new strategic risks have been added to the risk register by SLT, these are:
 - CRR 147 Southern Gateway
 - CRR 148 Local Plan

- CRR 149 Impact of Universal Credit (UC) on working claimants across the district.
- 6.5. Appendix 2 (a) and (b), where necessary reflect the following recommendations made by SRG:
 - CRR 09 Business Continuity Target score to be reviewed by the risk owner in the next quarterly review.
 - CRR 68 Health & Safety A new internal control in respect of fire safety for all council owned properties be set out in this risk.
 - CRR 147 Southern Gateway Regeneration That the internal control for "Partner Organisation Engagement" includes a reference to WSCC as a land owner of sites in the agreed Masterplan; and that the internal control for "Strategic Land Owner Engagement" status is changed from improving to poor.
 - CRR 148 Local Plan that the risk score is increased from 6 to 9, and that the internal control for "Ensure evidence base provided to meet timetable" is changed from improving to poor.
 - The high scoring organisational risks CRR 58 Car Parking Service –
 Reduced income/deviation from the budget to be included as a subset of
 risk CRR 01 Financial Resilience. Plus risk CRR 117 Planning Duty to
 co-operate fails to provide strategic framework to be included within the
 strategic risk of CRR 148 Local Plan.

7. Programme Board Risk Registers

- 7.1. Three Programme Boards set up for Business Improvement, Commercial and Infrastructure with the relevant director as the officer lead along with the relevant portfolio holder. A risk register, if necessary, is compiled for each board, and any high scoring risks from these risk registers would be escalated within the Risk Management Framework for consideration by senior officers and members as necessary.
- 7.2. Only one risk from the Programme Boards is high scoring; PBR 08 Insufficient resources to deliver projects, and is unchanged from the committee's last review Appendix 3 sets out the associated mitigation plans for this high scoring risk. All other risks on the Programme Board registers have risk scores lower than 6.

8. Update on the Organisational Risk Register

8.1. The SRG considered the high scoring risks and the associated mitigation plans which are shown in appendix 4, which reflects the changes recommended by the group.

9. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change:		X
Human Rights and Equality Impact:		X
Safeguarding:		X

10. Appendices

- 10.1. Appendix 1 Risk Management Policy & Strategy
- 10.2. Appendix 2(a) Strategic Risk Register
- 10.3. Appendix 2(b) Strategic Risk Register (Exempt Information para 3)
- 10.4. Appendix 3 Mitigation Plans for High Scoring Programme Board Risks
- 10.5. Appendix 4 Mitigation Plans for High Scoring Organisational Risks

11. Background Papers

11.1. None.

Chichester District Council

Risk Management Policy and Risk Management Strategy

Updated March 2018

Risk Management Policy

Introduction

Chichester District Council is aware that risk management is a fundamental issue for consideration in the delivery of its services and how it serves its community. It is a discipline that cuts across all of the council's activities and is a process that aims both to raise awareness and protect the council against potential risks and the consequences of those risk occurring.

However, some risks will always exist and cannot be eliminated. Against this ethos there is the clear understanding that risks need to be managed rather than avoided, and consideration of risk should not stifle innovation.

The council recognises that it has a responsibility to manage its significant business risks and supports a structured and focused approach to managing those risks as part of the corporate governance framework. This includes the adoption of this policy and strategy, as risk management is an integral part of its business processes, assists with decision making and achievement of key objectives, whilst also providing evidence of effective management and control in support of the Annual Governance Statement.

The council's Corporate Plan states that 'the Corporate Plan provides.... the opportunity to manage the Council's strategic risks and any significant risks that may impact on the community.' The Council will assist with managing community risks as part of the Local Strategic partnership, and play an active part in managing those risks which the Council is able to materially influence and have impact upon.

Objectives

The council is committed to implementing a proactive approach to risk management that is based on the following key principles:

- Risk management activity will be aligned to corporate and service plan aims, objectives and priorities. It will encompass all strategic and operational risks that may affect the council achieving its objectives.
- Risk management is key to achieving the council's Corporate Plan.
- The council will anticipate and take preventative action to actively manage risks rather than dealing with the consequences.
- Risk management is a process to assist in understanding risks and so contribute to improved decision making. The purpose therefore is not to design out risk at disproportional costs, but to manage it effectively.

- A consistent approach to the identification, assessment and management of risk will be embedded throughout the council.
- Any risk control and mitigation measures will be considered for their effectiveness as well as being appropriate, proportional, affordable and flexible.
- All council officers are responsible for the management of the risks that surround their role and adherence to the risk management framework.
 Managers also have a responsibility to ensure that their service areas have service continuity plans in place which are periodically reviewed and tested.

To achieve these key principles the management of risk is woven throughout the council's key governance frameworks and as such these are specific requirements for all officers to adopt a **formal** approach to risk management in the following areas:

Key decision making reports
Corporate, Directorate and Service planning processes
Programme and Project Management
Procurement Processes
Partnership working arrangements
Change management process

There are clearly defined roles and responsibilities and reporting lines within the Council for risk management.

Management of risk is a continuous and dynamic process and the Council's approach will be kept under regular review.

Risk Management Strategy

Overview

In order to manage risk Chichester District Council considers that a proactive approach in respect of its significant business risks will enable it to be in a stronger position to deliver the corporate priorities and serve its community.

Risk Management Framework

To achieve this, it is envisaged that members and officers develop an embedded enterprise wide risk management framework which gives a robust and systematic approach that aids the authority to:

- Help officers to fully understand the causes and impacts of the risks that they
 face, and in turn make more informed decisions on how best to manage risks.
- Allow officers to analyse and prioritise risks; helping inform decisions on the management, escalation and communication of risks.
- Creates a management tool which promotes discussion and helps reinforce
 officers' understanding of risks and how they will be managed; as well as
 encouraging the assignation of roles and responsibilities.
- Provide senior managers and members with the assurance that risks are being considered and managed across the organisation, and where 'need be' risks have to be taken; these are escalated for their input and guidance beforehand.

Key Risk Management Objectives

In order to realise the organisational benefits of managing risk and to deliver upon the remit of developing and embedding a risk management framework, the following objectives have been identified:

- To maintain and review the risk management framework which takes into account new and emerging risk management practices in accordance with good practice.
- 2. To develop and maintain a service continuity planning framework that allows the council to continue to deliver its most important services in accordance with the Civil Contingencies Act 2004.
- 3. To actively manage risks and opportunities by identifying the risks in the delivery of the council's plans i.e. corporate, directorate and individual service plans. The risks identified should be assessed for likelihood and impact, along with identifying any mitigating controls, and should be allocated to a named officer (s) who is responsible for those risks and their mitigation controls.

- 4. To ensure that risks in the present and the future are considered and discussed as part of the council's key decision making processes.
- 5. To ensure that all programmes and projects in the council have a robust approach to risk management which includes risk identification, analysis, prioritisation, control, communication, review and escalation.
- 6. To ensure officers consider the management of risk within the procurement process.
- 7. To integrate and embed risk management throughout the working culture of the council by providing support, guidance and training to officers, and members where appropriate.
- 8. To monitor adherence to the Risk Management Framework and report on performance to the <u>Strategic Leadership Corporate Management</u> Team (<u>SLTCMT</u>), the Corporate Governance and Audit Committee, and Cabinet.

Definition of Risk Management

CIPFA's Better Governance Forum's definition of risk is described as:

"Risk arises as much from failing to capture opportunities, as it does from a threat that something bad will happen."

This definition is complemented in the context of risk management as detailed in the British Standard 31100, which states;

"Risk management is as much about exploiting potential opportunities as preventing potential problems."

Risk Identification Process

Managers should concentrate on events that might affect the council's achievement of its objectives. Strategic risks linked to the Corporate Plan objectives and operational risks linked to service and project plans need (as a minimum) to be identified and monitored.

Roles and Responsibilities

In order to ensure the successful implementation of the Risk Management Strategy, there needs to be clear roles and responsibilities, with clear processes, which are set out in the risk management framework and also within this policy.

Group/Individuals	Role/ Responsibilities
Council	a. Agree the Risk Management Policy and Strategy
	b. Receive and act upon reports from Cabinet, and
	reports, recommendations and advice from
	Corporate Governance and Audit Committee
Cabinet	a. Considers the Risk Management Policy and
	Strategy and receive reports on them
	b. Hold the political responsibility for risk within each
	individual portfolio
	c. Identify a lead portfolio holder for risk
	management
Cabinet Portfolio Member	a. To champion risk management at a strategic level
Risk Champion	in the council from a member's perspective
	b. To promote and support the development and
	implementation of the Risk Management Policy
Composite Covernos e	and Strategy
Corporate Governance & Audit Committee	a. Consider corporate risks and control and
Audit Committee	monitoring arrangements b. Review Internal Audit priorities and risk
	assessments
	c. Report to full Council each year on corporate
	governance issues and internal arrangements to
	monitor and control risks
Strategic Risk Group	a. Consider strategic, and operational and
(SRG)	programme board risks, the associated controls,
(3:13)	management and any mitigation.
	b. Review of previously identified strategic risks and
	any detailed consideration of any newly identified
	risks to be incorporated in the report to Corporate
	Governance & Audit Committee
Chief Executive & Lead	a. Overall responsibility for ensuring that strategic
Officer Risk Champion	risks are effectively managed within the council
	b. To champion risk management at a strategic level
	in the council from an officer's perspective
	c. To promote the development and implementation
	of the Risk Management Policy and Strategy
	d. Ensure that Risk and Performance frameworks
	are aligned so that corporate plans are appropriately monitored
	e. Act as the SLT CMT Lead Officer for Risk Management
	f. Ensure that relevant staff and members are
	trained on risk management
Strategic Leadership Team	a. Contribute towards the identification and
Corporate Management	management of strategic and cross cutting risks
Team	b. Responsibility for effectiveness of risk
	management and assurance frameworks and any
	mitigation
	c. Regularly review the strategic risk register
	d. Quarterly monitoring of corporate risks and

Group/Individuals	Role/ Responsibilities
	associated action
Chief Executive & Directors and Chief Executive (Strategie	a. To provide annual assurance on the effectiveness of controls in place to reduce risks within their
Executive (Strategic Leadership Team) (SLT))	services to an acceptable level.b. To maintain awareness of and promote the risk management strategy and policy to relevant staff.
<u>Director of Corporate</u> <u>Services</u> <u>Head of Finance</u> <u>and Governance</u>	 a. Applies strong internal controls in all areas of financial management, risk management and asset control. b. Promotes arrangements to identify and manage key business risks, including safeguarding assets risk mitigation and insurance. c. To assist the Chief Executive in:
	 The development and implementation of the Risk Management Policy and Strategy To ensure that Risk and Performance frameworks are aligned so that corporate plans are appropriately monitored To ensure that relevant staff are trained or risk management
Programme Board Lead	a. Identify and monitor the risks identified associated
Officer	with the work of the Programme Board
	b. Each Programme Board will review their risks
	registers.
	c. Cabinet members and directors should be
	informed of key programme/ project risks relevan
	to their areas of responsibility.
All Divisional & Service	a. Contribute towards the identification and
Managers	management of operational risks, incorporating in
(Through Departmental	service plans
Management Team	b. Maintain awareness of and promote risk
meetings) & CMT)	·
meetings <u>La civi i)</u>	management policy and strategy to staff. c. Ensure that risks that have been identified are
	addressed and mitigated. Any that are scored as high/high using the 4 by 4 matrix to be addressed urgently.
	 d. Ensure that risk management is incorporated into service and project plans
	e. Ensure that supplier and procurement risk is considered in their service plans
Internal Audit – Internal	a. To independently review and report to the
Audit & Corporate Fraud	Corporate Governance and Audit Committee on
Manager Principal Auditor	strategic and operational risk management, plus any review as part of the Annual Governance Statement.
All Employees	a. To manage risk effectively in their job and to
p.0,000	highlight to management any risks arising and
	contribute to the control process to mitigate the

Different Types of Risks

Officers and members need to consider the different types of risks in relation to how the council delivers its services and how it serves its community e.g. strategic, operational or community risks.

Strategic Risks

Possible examples of strategic risk are as follows:

- Political: Linked to possible failure to deliver Council objectives or Central Government policy.
- Economic: Affecting the ability of the Council to achieve its commitments.
- Social: Relating to the Council's ability to meet the effects of changes in demographic, residential or social-economic trends.
- Technological: The ability to identify technological changes and using technology to meet changing demands
- o **Legislative:** The ability to meet the legislative demands affecting the Council
- Environmental: Relating to the environmental impact of the Council's Service delivery

Operational Risks

Operational risks are those that could prevent achievement of operational objectives, as stated in service and project plans. Only those risks that are of a concern need recording and monitoring. However, these should include contingency or disaster recovery plans. Possible examples are:

- Professional: Associated with the professional competence of council officers and the recruitment and retention of staff
- o **Financial**: Associated with the financial resources and related controls
- o **Legal**: Relating to potential breaches of legislation, or other duties
- Physical: Related to physical damage, security, accident prevention and health & safety
- Contractual: Associated with the failure of the council's contractors to deliver services or products to the agreed cost and specification
- o **Technological:** Associated with reliance on operational equipment
- o **Environmental**: Associated with pollution, noise, energy
- Customers: Associated with the ability to engage all our customers and the identification of their changing needs and related issues of equality

Community Risks

Risk management has traditionally been an inward focused exercise which looks at the potential risks to the council and how they are managed. An alternative approach to measuring risk is to look at the significant impact on a community and the outcomes they may face. This is particularly evident in the partnership approach to service delivery with the customer as the focus point and not the individual organisation providing the service.

Cross Cutting Risks

All involved in the risk management process, should consider whether any corporate/operational activities result in risks with cut across other areas of the council. The relevant management should liaise to determine the appropriate method of treating any cross cutting risks.

Projects & Contract Risks

All new projects and contracts should have had their various risks considered before being approved. In the case of a contract, the relevant director and project manager are is responsible for ensuring relevant risks have been considered.

Partnership Risks

Before any significant partnerships are entered into, their risks should be assessed, and where unacceptable, mitigating controls put in place. The partnership risks should be reviewed periodically, and assurances obtained about the management of these risks by named officers.

Financial Risk

Financial Risk e.g. loss of income or greater expenditure than anticipated is the primary risk identified and measured. However, this is just one of several different types of risk that can be measured. It is not just the impact of an event happening in financial terms that need to be evaluated, but also the potential damage that such an event could have upon other things such as the reputation of the council.

Governance and Compliance

A formal approach to risk management involves undertaking a risk assessment or detailing risks in a report. The council recognises that the approach to risk management should be proportionate to the level of risk present.

Compliance with the Risk Management Framework

This policy and strategy is just one part of the council's risk management framework, which also includes a 4x4 risk scoring system, risk assessment template, corporate risk register system, and service continuity plans. Service continuity plans These are will be held on the Resilience Direct System. Corporate Management Team's smart phone devices and a hard copy is held remotely at the Careline.

The Risk Management Framework is set out in the attached schedule.

To ensure consistency it is important these roles are adopted across the council and that any variations or dispensations are kept to a minimum. To aid consistency in scoring risks using the risk assessment matrix, the severity of impact is set out in the following table:

		Seve	erity of impact	matrix		
Score	Personal safety	Failure to provide statutory duties or meet legal obligations	Financial loss	Service disruption	Personal privacy infringement	Embarrassment or reputation
1 Minor	Minor injury or discomfort to an individual or several people	Litigation, claims or fines up to £5k	Loss of money or uninsured costs of less than £5k	1 day	Isolated individual personal detail compromised or revealed	Contained within section or unit
2 Significant	Severe injury to an individual or several people	Litigation, claims or fines between £5k to £10k	Loss of money or uninsured costs of less than £100k	2-3 days	Some individual personal details compromised or revealed	Local public or press interest
3 Serious	Major injury to an individual or several people	Litigation, claims or fines between £10k to £50k	Loss of money or uninsured costs of less than £500k	3-5 days	Many individual personal details compromised /or revealed	National public or press aware
4 Major	Death of an individual or several people	Litigation, claims or fines between over £50k	Loss of money or uninsured costs of more than £500k	5+ days	All personal details compromised or revealed	Chief Executive or Director forced to resign

Definitions of Likelihood:

	Likelihood	
Score	Factor	Description
1	Unlikely	No occurrence in the last 2 years or for foreseeable future
2	Possible	No occurrence within the last 12 months anticipated within the next 12 months
3	Probable	At least one occurrence in last 12 months or anticipated within the next 12 months
4	Certain	At least one occurrence in last 6 months or anticipated within next 6 months

CDC Risk Matrix

		1 Minor	2 Significant	3 Serious	4 Major	
5	1 Unlikely	1	2	3	4	
éeli	2 Possible	2	4	6	8	
kelihood	3 Probable	3	6	9	12	
7	4 Certain	4	8	12	16	

Further guidance on the use of the matrix is part of a future guide to be issued to officers and will be available on the staff intranet.

Monitoring, Reporting & Escalation

The <u>Strategic Leadership</u> <u>Corporate Management</u> Team <u>(SLT)</u> is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. <u>Executive</u> Directors and <u>Divisional Heads of Service Managers</u> are also responsible for ensuring that the key risks in the risk registers linked to respective Service Plans (SP) are managed <u>via their organisational risk registers</u>. It is recommended that high risks feature as a standing item on DMT/Service Managers meeting agendas. <u>SLT CMT</u> receives monthly reports on major projects and performance to monitor risks and will monitor the strategic risks on a quarterly basis.

On at least an annual basis, the strategic and Service Plan risk registers high risk items should be reviewed and where necessary risks re-prioritised by the Strategic Risk Member Group and SLT. Risks should be amended so they reflect the current situation, obsolete risks should be deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The review of the strategic risk register must be undertaken by Strategic Leadership Corporate Management Team and the organisational risk SP registers must be reviewed and updated by the respective Executive Directors and Divisional Heads of Service Managers with their management teams.

Reporting and escalating risks

As new risks arise they should be promptly recorded on the relevant risk register. Also the environment in which the risks exist will change making some risks more critical or others less important. Risk registers and matrices at each level should be updated to reflect these changes as they occur. If such risks require corporate ownership and management then consideration should be given as to whether they should be incorporated into the strategic risk register. If the management of such risks is more appropriate at a service level then it should be included in the respective SP/service risk register.

It is recognised that some service risks have the potential to impact on the corporate objectives. High risks from service risk registers should be reported to SLTCMT where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the strategic risk register.

Each service area will need to consider their operational risks to ensure their business continuity arrangements are robust. Executive Directors and Divisional Heads of Service Managers should test their plans at least annually.

<u>SLT_CMT</u>/ <u>the Director of Corporate Services</u> <u>Head of Finance and Governance</u> will report the strategic and any service high risks to the Corporate Governance & Audit Committee and Cabinet, and an up to date risk register and matrix will be <u>published</u> <u>for sent to</u> Full Council <u>via Modern.gov</u>.

Risk Manageme	nt Framework			
Who	Roles & responsibilities	Report Type	By Whom	Frequency
Council	Agree the Risk Management Policy and Strategy Receive and act upon: reports from Cabinet and Chief Executive; reports, recommendations and advice from Corporate Governance & Audit Committee	Annual Governance Statement and other relevant reports	Cabinet and CG&AC	Annually
Cabinet	Consider the Risk Management Policy and Strategy and receive reports on them Hold the political responsibility for risk within each individual portfolio Identify a lead portfolio holder for Risk Management	Risk Management Policy and Strategy and relevant reports	CGAC/Portfolio Holder	As requested
Corporate Governance & Audit Committee (CGAC)	Consider corporate strategic risks and control and monitoring arrangements Review Internal Audit priorities and risk assessments Report to Full Council each year on corporate governance issues and internal arrangements to monitor and control risks	Assurances on effectiveness of risk management Updates on corporate risk and action plans	Director of Corporate Services	Bi-annually
Strategic Risk Group	Consider any strategic and operational risks, the associated controls, management and any mitigation.	Review of previously identified strategic risks and any detailed consideration of any newly identified risks. Workshop held with SLT risk owner & members.	Chief Executive	Bi-annually
Strategic Leadership Team (SLT)	Contribute towards the identification and management of strategic and cross-cutting risks Responsible for effectiveness of risk management and assurance frameworks and any mitigation Regularly review the strategic risk register Quarterly monitoring of strategic and operational risks and associated action plans	Reviews of policy, strategy and framework Corporate and service performance reports with operational and strategic risks	SLT assurance and risk updates Programme and Partnership boards performance	Quarterly
Programme Boards	Responsible for identifying and managing the risks associated with the work programme of the Board	Review and update of risk register at each meeting. Report any risk that requires escalation to SLT as necessary	SLT Lead Officer & Programme Board members	Monthly or Bi-Monthly
Strategic partnerships and allied groups	Responsible for the identification and management of risks within their given areas Local Strategic Partnership (LSP) responsible for considering community risks in their wider sense	Task and finish groups report to LSP Reports on the management of risks Escalate high risks as required	Lead Officer Lead Member	Leader and Directors
Directors & Divisional Managers	Contribute towards identification and management of operational risks incorporated in service plans Maintain awareness of and promote risk management policy and strategy to staff Ensure risks have been identified and are addressed and mitigated Ensure supplier and procurement risk is considered in service plans	Report on those departmental/ service/ project risks that require consideration for escalation to the corporate Risk Register Review of risk registers and other risks as standing item at Departmental service meetings	Directors / Divisional Managers Project Boards	Quarterly or as required
Employees	Manage risk effectively in their job and report hazards/risks to their service managers	Report incidents/risks following procedures in corporate policies	All employees	As necessary/required

Corporate Risk Register - Strategic Risks Quarterly Update

Report Author: Helen Belenger **Generated on:** 13 March 2018



	Risk Status				
	Alert				
	High Risk				
\triangle	Warning				
②	ОК				
?	Unknown				

Controlled

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 01	Financial Resilience	John Ward	9	4	4	3	31-Mar- 2019	Good
	CRR 08	Skills / Capability / Capacity	John Ward	3	3	3	2	31-Mar- 2019	Good
	CRR 09	Business Continuity	John Ward	9	6	6	3	31-Mar- 2019	Good
	CRR 68	Health and Safety	John Ward	9	4	4	4	31-Mar- 2019	Good
	CRR 97	Cyber Risk Attack Across ICT Estate	John Ward	6	6	6	6	31-Mar- 2019	Good
	CRR 145	Data Protection Act Breach - Loss of Data	John Ward	4	4	4	4	31-Mar- 2019	Good

Control Pending

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 88	Non Achievement of Recycling Target of 50% by 2020	Jane Dodsworth	6	3	3	3	01-Jan- 2020	Improving
	CRR 147	Southern Gateway Regeneration	Paul Over	9	-	9	3	28-Sep- 2018	Improving
	CRR 148	Local Plan	Andrew Frost	9	-	9	3	31-Jul- 2020	Improving

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 149	Impact of Universal Credit (UC) on working claimants across the district	Louise Rudziak/ Jane Dodsworth	9	-	6	3	31-Mar- 2019	Improving

Management Controlled

		Management Controlled	
CRR 01	Financial Resilience	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 deficit reduction plans.
- Failure to maximise income streams.
- Unpredictable Government policy (e.g. Brexit and localisation of business rates.)

SLT Risk Owner: John Ward

Responsible Officer: Helen Belenger

D							
Original Risk Date	31-Jul-2012		Target Risk Date	31-Mar-2019			
Original Risk Score	9	Impact	Target Risk Score	3	Impact		
		Current and Previou	s Quarter Risk Assessment				
Current Assessment	08-Mar-2018	Likelihood	Impact	4	ļ		
Previous Quarter Assessment	21-Dec-2017	Likelihood	Impact	4	ļ		

Internal Controls		Current Status
	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.	Good
Income Streams	 Monitor income performance and review with SLT so remedial action can be taken. Heads of Services and budget managers monitor income monthly from budget monitoring reports. Service managers to assess fee setting for services in accordance with Fees & Charging Policy, and react when if income reductions occur. Putting money in place to achieve better returns. 	Good
Reconciliation of Income	 Monthly reconciliations by services. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan. Support given by Financial Services when setting up new income streams and reconciliation processes. 	Improving
ပြု လွှာntrol of Expenditure ထို	Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations. Quarterly monitoring of major variances by SLT.	Good
Financial Strategy Principles	 All key decisions of the Council should relate back to the Corporate Plan. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period. Over the next 5 years maintain a position of non-dependency on reserves. In order 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 consequences, is approved. Review costs in response to changes in service demand. 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. Continue to review the Council's costs in order to find further savings. Match Council Tax increases to a realistic and affordable base budget. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community. New Homes Bonus (NHB) should be reserved to reward communities that have accepted growth, whilst also considering the fact that this is not new funding, and to some extent may have to be used to protect services. This should be allocated annually, and only committed once received. 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. 	Good
Revenue and Capital	1. Capital receipts, reserves and interest on investment will primarily be available for new investment of a non-	Good

Programme Principle	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.	
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 State	ment	
08 Mar 2018 Page 129	Deficit reduction plan was approved, and accepted by the former DCLG (now MHCLG) as evidence to secure a 4 year to 2019-20. Financial targets to be monitored through the programme boards, as the council continues to set balance reliance on NHB and other temporary funding, and has a forward funded 25 year asset replacement fund. The audited 2016-17 outturn showed an underspend of £295k, and the current year 2017-18 is forecast to have an The Council's 5 year Financial Model was updated following the joint Cabinet & CMT strategy day in October 2017 at the 2018-19 budget cycle. The updated model was reported to Cabinet in December 2017 and approved by Council that time the 5 year model was showing a surplus of approximately £1.6m for 2018-19. The Council set its budget from 2018 with a £5 council tax rise for Council Tax Band D. Its spending plans included growth items amounting to £523 transfer to the investment opportunities reserve of £861,300 in line with the financial principles that underpin the fir Provision was also made for the council investments affected by IFRS 9. The MHCLG are to undertake a consultation ride issue that was raised during the budget process. The Council remains part of the Coastal West Sussex business rates pool in 2018-19, as the West Sussex 100% pilo MHCLG. On-going monitoring of volatile income streams such as the car parking service which can be affected by the weather important to ensure that the use of the car parks are marketed effectively and assessing the Council's pricing policy	underspend of £0.37m. nead of preparation for on 23 January 2018. At or 2018-19 on 6 March 8,000 and enabled a nancial strategy. on the statutory over t bid was not selected by er and economy, so it is

		Management	Controlled
CRR 08	Skills / Capability / Capacity	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.

Responsible Officer: Joe	Mildred / Tim Radcliffe.				
		Original and Ta	rget Risk Assessment		
Original Risk Date	31-Jul-2012		Target Risk Date	31-Mar-2019	
TOriginal Risk Score യ വ്ര	3	Impact	Target Risk Score	2	Impact
		Current and Previou	s Quarter Risk Assessment		
Current Assessment	08-Mar-2018	Likelihood	Impact	3	
Previous Quarter Assessment	05-Jan-2018	Likelihood	O	3	
Internal Controls	Internal Controls				
1. Ensure commissioning and objectives remain relevant and up to date. Workforce Development Plan 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 cons	idered during appraisal pr	ocess.		Good

	 Completion of appraisals on time. Strategic training needs identified using Belbin or equivalent. Possible use of 360 degree appraisals. 	
Training Plan and Budget	 Use First Line Managers course to develop new managers. Use diploma management studies for senior managers. Specific training programme for new Directors and Heads of Service. 	Good
Recruitment Benefits	 Use of benefits packages for relocation, assisted house purchase scheme to aid recruitment. Guidance to be issued for how to use recruitment benefits. 	Good
Staff Satisfaction Survey	1. Staff survey to be undertaken every two years.	Improving
Strategic Leadership Team & Divisional Managers	 Specific training programme to newly appointed Divisional Managers to address core competencies, hosted by Portsmouth University. Succession plan currently being put into place. 	Good
Measuring Staff Turnover by Significant Groups	1. SLT to review turnover statistics and the reasons.	Good
Latest Position State	ment	
08 Mar 2018 80 90 131	Apprenticeship Levy came into effect 1.4.17. Workforce development initiatives now live. Pay Policy project on track Access to courses on Levy of some concern although number of courses increasing and being publicised to manager staff for 20% of time to study and pre-course requirements. HR monitoring take-up of courses and spend of Levy. Swith both Chichester College and University.	rs, requirement to release
4	A second Constitute to the form of the constitute of the constitut	

A specific skills training programme for the new divisional managers has been arranged.

Recruitment issues for specific service areas are being kept under review by SLT.

ĺ			Management	Controlled
	CRR 09	Business Continuity	L OFDOFATE I INKS	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 suffer reputational damage.

SLT Risk Owner: John Ward.

Responsible Officer: Helen Belenger/Warren Townsend.

Responsible Officer: Hel	en Beienger/Warren Townsei	iu.			
		Original and Ta	rget Risk Assessment		
Original Risk Date	31-Jul-2012		Target Risk Date	31-Mar-2019	
Uniginal Risk Score യ ധ	9	Impact	Target Risk Score	3	Impact
<u>→</u>		Current and Previou	s Quarter Risk Assessment		
Current Assessment	09-Mar-2018	Likelihood	Impact	6	
Previous Quarter Assessment	04-Jan-2018	Likelihood	Impact	6	
Internal Controls					Current Status
1. Refresh Business Impact Assessment (B.I.A). 2. Critical services to prepare plans. 3. Test Plans. 4. Retrain where necessary, embed BC into culture of the council. 5. Identify system to store BC plans.					Good

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	6. Non critical services to make appropriate arrangements.7. Audit of Plans in high risk service areas.8. Effective backup of data.	
BC Management Strategy	 Annual BCM corporate meetings held. Key managers identified for BC plans. Articles for team briefs or management forum to embed BC planning into organisation. 	Good
Disaster Recovery Team	 Training and repeated messaging to embed BC cultural into organisation. Annual appraisals targets for Divisional Managers and relevant staff. 	Good
Latest Position State	nent	
09 Mar 2018	Whilst the internal controls are good for business continuity, the risk score is always likely to continue to remain the impact is serious and the likelihood is possible rather than unlikely. The main reason for this is the continuing cyber organisation continues to get. We have good mitigation against cyber-attacks; however there remains a risk. Phys of IT or building are good and would be 'unlikely' and less of a risk.	-attack threats that the
	The recent poor weather enabled a live test of service business continuity plans.	

		Management	Controlled	
	CRR 68	Health and Safety	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 under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation

SLT Risk Owner: John Ward.

Responsible Officer: Helen Belenger/Warren Townsend.					
Original and Target Risk Assessment					
Original Risk Date	03-Sep-2013		Target Risk Date	31-Mar-2019	
Original Risk Score ປ ູນ	9	Impact	Target Risk Score	4	Impact
a G e		Current and Previou	s Quarter Risk Assessment		
Current Assessment	09-Mar-2018	Prikelihood	Impact	4	
Previous Quarter Assessment	04-Jan-2018	Likelihood	Impact	4	
Internal Controls					Current Status
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 including: 1. Statement of intent. 2. Hierarchy for communication/organisation. 3. Roles and responsibilities. 4. H&S arrangements. Good			Good		

	 Policies, procedures and guidance for specific H&S issues e.g. control of contractors, COSHH assessments forms etc. An extensive range of evidence compliance forms. Specific risk assessments for site visits undertaken for staff and member visits. Quarterly updates to Cabinet member for Corporate Services by the H&S Manager. 	
Training Programme & Competencies	 Specific training programmes for all aspects of H&S skills and competencies required with the Council's business. Staff names with relevant competencies and holding key responsibilities available on staff intranet. Training records maintained to evidence training provided. Training for all new members as part of the Members' Induction Programme. 	Good
Legionella Testing	 Written policy available. Regular testing and monitoring to demonstrate compliance. Staff involved in legionella management or may be exposed to legionella risk are provided with training. 	Good
Quarterly service meetings for high risk prvice areas	1. CCS - Quarterly insurance & H&S meetings with the Director of Residents' Services & the Contract Services Divisional Manager with the Financial Services Divisional Manager, insurance officer, H&S Corporate Manager & CCS Technical Supervisor. To assess accident trends and claims and agree any actions required to staff duties, policies and procedures. 2. Culture & Place - Quarterly insurance & H&S meetings with Director of Growth & Place Services and the Divisional Service Managers for the museum, Westgate Leisure contract, and car park service, to discuss claims & accidents to identify any necessary changes to procedures/policies etc. 3. All accidents, near misses and reports of ill health are investigated by the Corporate H&S team. Interventions made with the service where appropriate to improve systems of work to prevent reoccurrence.	Good
T testing	1. Annual testing of all electrical equipment carried out by qualified contractor.	Good
Fire Safety of all Council Owned Premises	 Fire Risk Management Group – Quarterly meetings held to develop and monitor action plans following fire assessments results with the Directors of Corporate Services, Housing & Communities, and Growth & Place Services plus other relevant council officers. Fire Risk Assessments of all premises undertaken. Priority and timescales to be agreed for any remedial works or maintenance required on properties following fire risk assessment results. 	Improving
Safety Committee	1. A group of managers and employees meet 3 times a year to discuss health and safety issues and matters of interest. CCS and car parks have local 'Safety Forums', meeting bi-monthly, that feed into this committee. The Safety Committee reports any issues of significance to the JECP.	Good
1. Specific procedures and decision tree guidance in place for staff and members to follow on staff 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. Violence & aggression response team available to support staff and members at EPH if an incident occurs.		Good

	6. Two levels of Violence & Aggression (V&A) resolution training provided to relevant staff.	
Emergency arrangements for Council Premises	 Evacuation procedures in place for EPH on staff intranet. Known competent staff with allocated roles & responsibilities for evacuation procedures. Regular testing of evacuation procedures carried out. Policy advising the arrangements in place for safe evacuation of council owned buildings. 	Good
Corporate H&S Audits & Action Plans for Service H&S Improvement	1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service, H&S 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.	Good
Contract Management ව හ ගු ග	 Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification. The contractor manager must ensure that their contractor adheres to H&S legislation in carrying out the specification and has a monitoring system in place which is also including performance reporting to the council's contract manager. Upon request the H&S 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. Members are involved in major decisions on procurement matters. 	Good
Latest Position State	ment	
The consequences of a serious accident or incident at work have the potential to be 'major', i.e. death of a member of staff, contractor or member of the public. Therefore the severity in the risk score is always going to be high. However, due to the operation of an effective H8 management system there are 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, along with H&S compliance of CDC's biggest contractor.		ation of an effective H&S ood systems and

CRR 145	Data Protection Act Breach - Loss of Data		Management	Controlled		
ORR 2 15			Corporate Links			
Failure to keep all persona reputational risk.	ure to keep all personal data secure leading to a breach of the General Data Protection Regulations (GDPR) and Data Protection Act, resulting in fines and utational risk.					
SLT Risk Owner: John W Responsible Officer: Nic						
		Original and	Target Risk Assessment			
Original Risk Date	16-Mar-2017		Target Risk Date	31-Mar-2019		
Original Risk Score	4	Likelihood	Target Risk Score	4	Likelihood	
		Impact	Oversten Biele Accessore		Impact	
7		Current and Previo	ous Quarter Risk Assessment	T		
⊕ ⇔ Current Assessment	12-Mar-2018	booffied!	Impact	4		
Previous Quarter Assessment	05-Jan-2018) ikelihood	Impact	4		
Internal Controls					Current Status	
Data protection Officer	Divisional Manager of Democratic Services is the designated Data Protection Officer providing advice to officers, advising on safe sharing of data between agencies, overseeing data subject access requests and liaison with Good Information Commissioners Office in the event of customer complaint or security breach.			Good		
Protocols and Policy in place	' IDTOCESSES ARE ID DIACE TO MANAGEMINIT TISK OF MATA IOSS			Improving		

Staff Training	Data Protection training is provided to all new staff and Members. Staff online training is available to allow staff to refresh their knowledge. Specific GDPR module for all staff is in place, manager training day has been held.			
Data backed up	All electronic data is backed up daily and securely stored off-site.			
Secure devices	devices All staff laptops are encrypted to secure data. All mobile phones are provided with secure application to protect data. Dual authentication in place for remote access to data.			
PSN Compliance	The authority is taking steps to meet new certification requirements in accordance with the updated requirements of the Public Services Network requirements for provision of a secure network.	Good		
Safe transfer of personal data	Personal and sensitive data shared with other government agencies is transferred via GCSX secure email accounts. A review of processing has been completed as part of GDPR approach.			
Safe destruction of confidential documents				
Latest Position Statement				
IDMar 2018 O O	General Data Protection Regulations (GDPR) come into effect 25 May 2018 replacing the Data Protection Act. Corporate project team in place to manage transition to new regulations. Position statement reports being presented on an ongoing basis to Corporate Governance and Audit Committee as well as SLT and JECP. Monthly guidance being provided by DPO to all Divisional Managers. Member training will be delivered on GDPR in May 2018.			

Management Control Pending

Ī	CDD 99	Non Achievement of Recycling Target of 50%	Management	Control Pending
CRR 88	CKK 00	by 2020	Corporate Links	

The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage.

SLT Risk Owner: Jane Dodsworth

Responsible Officer: Bob	Responsible Officer: Bob Riley					
		Original and Ta	rget Risk Assessment			
Original Risk Date	28-Nov-2014		Target Risk Date	01-Jan-2020		
Original Risk Score	6	Impact	Target Risk Score	3	lmpact	
age			s Quarter Risk Assessment		impaor	
© ω ω Current Assessment Previous Quarter	09-Mar-2018	Likelihood	Impact	3		
Assessment	21-Dec-2017	Pooulibood	Impact	3		
Internal Controls				Current Status		
1. New initiatives to increase recycling rates are being implemented and further work to improve the quality of the waste for recycling collected are under consideration. 2. A Waste & Recycling Panel has been established to drive forward initiatives and improvements.				Improving		

Latest Position State	Latest Position Statement		
09 Mar 2018	09 Mar 2018 Recycling rate is currently 43%.		
Whilst the target is embedded within national legislation, but it is uncertain whether a financial penalty would be applied.			
	Actions to mitigate were within current work programme of West Sussex Waste Partnership and Recycling Action plan to increase recyclastics.		

CRR 147	Southern Gateway Regeneration	Management	Control Pending
CRR 147		Corporate Links	

Failure to deliver the outcomes of the project leading to financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership (LEP) (and other funding).

Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver outcomes.

Masterplan becomes commercially unviable due to certain market sectors' changes including demands for community/public realm use types.

SLT Risk Owner: Paul Over / Jane Hotchkiss Responsible Officer: Victoria McKay

		Original and Ta	rget Risk Assessment				
Original Risk Date	23-Feb-2018	d	Target Risk Date	28-Sep-2018	5		
Original Risk Score ປັ	9	Impact	Target Risk Score	3	Impact		
a G e		Current and Previou	s Quarter Risk Assessment				
Current Assessment Previous Quarter Assessment	06-Mar-2018	poodl	Impact	9			
Internal Controls					Current Status		
Partner Organisation Engagement		over. Close liaison with Hoon with relevant officers.	CA with contingency built into Ma	sterplan.	Poor		
1. Memorandum of Understanding (MOU) signed. 2. Steering Group / Growth Board to approve Growth Deal and on-going liaison with other partners. 3. Relocation of Royal mail & Stage coach - Estates service and external consultants are working to identify suitable sites.							
Financial Controls & Budget Monitoring	contamination and drainage		ssible by undertaking key studies		Poor		

Appendix 2 (a)

Management of External Consultants	 Contract T&C's for consultants employed to ensure delivery of service. Availability of consultancy advice - Use tried and tested framework agreements to source expertise; test knowledge via tendering process. 	Good							
Masterplan	 Demand in market sector changes - Constant updating of viability advice for the Masterplan as the project is implementation proceeds. Road space configuration - WSCC Highways input to project team to ensure solution(s) are acceptable. Community or Public Realm Uses for site - Steering group input and regular re-appraisal of the scheme as it progresses. 	Improving							
Compulsory Purchase Order (CPO)	 Use of CPO if required for land acquisitions for Masterplan assembly, where unable to agree terms to complete acquisitions. Use of consultancy support to ensure CPO grounds well founded, including independent valuations. 	Improving							
Latest Position State	Latest Position Statement								
06 Mar 2018 Page 142	Property consultants were appointed on 8th August 2017 and Legal consultants will be appointed by end March 2018. Archaeology and contamination reports have been commissioned and completed. A Waste Water Treatment (WWT) study has been commissioned and we await the results. Services, flooding and topographical studies are be commissioned by the end Jan 2018. To date (23rd Jan 2018), funding applications to One Public Estate, Home & Communities Agency (HCA) (Starter Homes) and LEP (£5,000,000) have been submitted and approved. A further funding bid to WSCC is dependent on the signing of the Growth Deal, which was approved by CDC Council on 23rd Jan 2018 and WSCC in Feb 2018. Work to identify and formalise the relocation sites for Stagecoach and the Royal Mail continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and once agreements have been reached with the continues and the continues and the continues and the continues and the continues are continued to the continues and the continues and the continues and the continues and the continues are continued to the continues and the continues and the continues and the continues are continued to the								

CRR 148	Local Blan	Management	Control Pending
CRR 146	Local Plan	Corporate Links	

Failure to complete Local Plan Review and achieve an adopted Local Plan by 2020. This would mean that the Council would face challenge that it does not have an up to date Local Plan and the impact would be:

- Without an up to date Local Plan the presumption in favour of sustainable development would apply, assessed against the policies in the National Planning Policy Framework (ref: para 14).
- 5 year housing land supply (HLS) would be assessed against the objectively assessed need (OAN) for housing rather than the housing requirement figure in the Local Plan, making it highly likely that it would not be able to possible to demonstrate a 5 year HLS.
- Both 1 & 2 would result in a loss of control over the location and form of development with decisions being made through the application and appeal process, rather than in accordance with the development plan as it would be considered to be out of date.
- With respect to the Local Plan Review, the 40% cap applied to the OAN for housing in the government's draft methodology would not apply and the amount of housing to be provided for in the LPR would increase substantially requiring an increase in the amount of land to be allocated for development.
- The ability to plan and coordinate development with the provision of infrastructure would be reduced with an unplanned approach to the location of new development.

 The potential for government intervention to take plan-making decisions out of the control of the Council.
- amage to the reputation of the Council for failing to produce a plan to guide and control development in line with its statutory duties as Local Planning Authority.

Responsible Officer: Mike Allgrove

ω											
	Original and Target Risk Assessment										
Original Risk Date	07-Mar-2018		Target Risk Date	31-Jul-2020							
Original Risk Score	9	Impact	Target Risk Score	3	Impact						
	Current and Previous Quarter Risk Assessment										
Current Assessment Previous Quarter Assessment	07-Mar-2018	Likelihood	Impact	Ċ)						

Appendix 2 (a)

Internal Controls		Current Status
Agreed Timetable for Plan Production	1. Statutory Local Development Scheme agreed by Council. Detailed project plan for evidence base and plan production prepared.	Good
Sufficient Staff Resources to achieve timetable	Additional posts created in team. Recruitment incentive payment and premia payments agreed to recruit and retain staff.	Improving
Ensure evidence base provided to meet timetable	1. Detailed project plan prepared for evidence base.	Poor
Member agreement to contents of plan	1. Provision of information, debate and discussion through Member briefings, Development Plan and Infrastructure Panel and formal democratic decision making process through Cabinet and Council.	Improving
Public Consultation လ ထ ထ	1. Public consultation to ensure that the views of the community are taken in to account in the plan-making process. 2. Initial public consultation has taken place on issues and options. 3. There will be further public consultation on a draft plan and then again prior to examination. This will enable the Council to take in to account the views of all interested parties on the contents of the plan and outstanding matters can resolved through the public examination in to the soundness of the plan (to be conducted by a planning inspector appointed by the Secretary of State). The current status will reflect the stage of consultation reached.	Improving
 La test Position Stater	nent	
07 Mar 2018	The detailed project plan for the production of the evidence base and plan writing is extremely tight with no continge	ency built in. The Polic

The detailed project plan for the production of the evidence base and plan writing is extremely tight with no contingency built in. The Policy Team has had insufficient staff resources to progress the evidence base according to the timetable due to the need to fill vacant posts and long term sickness absence, notwithstanding the use of temporary staff. The situation is improving with 3 new members of staff due to join the team in the short term and the recent appointment of a Neighbourhood Planning Officer. Certain aspects of the evidence base cannot be progressed until decisions have been made about the likely distribution of development.

Due to the need to ensure the agreement of West Sussex County Council and Highways England, the Transport Study has not progressed according to the anticipated timetable and is unlikely to be completed before the July Cabinet and Council meetings, although the headline results should be available. This is contingent of being able to advise the consultants on a likely distribution of development. The initial results of the Gypsy and Traveller Accommodation Assessment are showing the need to made provision for a significant increase in the number of pitches to be provided for in the plan. There are concerns about the Waste Water Treatment Study and whether it will be fit for purpose. Landscape work still needs to be commissioned.

In terms of plan production some progress has been made on the selection of strategic sites and the distribution of parish housing requirements. However, further progress needs to be made on the site selection process for horticultural development areas and employment land and the drafting of individual policies.

There has been some initial member engagement on the distribution of development; however, it will be difficult to secure agreement given

the significant amount of land to be identified for development, local opposition to new development and the absence of a complete evidence base. In particular, the need to identify mitigation for the transport impacts of development, especially with regard to the A27 Chichester Bypass, is likely to prove difficult to resolve.

The delay until the summer 2018 of the outcome of the Government's consultation on Objectively Assessed Needs (OAN) and Housing numbers will impact on the progress of the local plan in relation to housing numbers and the identification of strategic housing sites.

CRR 149	Impact of Universal Credit (UC) on working	Management	Control Pending	
ı	CRR 149	ala farancia a conservable a d'Ostatatat	Corporate Links	

Failure to provide appropriate support and guidance for claimants affected by the welfare reforms, including the rollout of Universal Credit (UC) on working age claimants across the district, resulting in the risk of rent arrears and the threat of homelessness.

The benefits service currently administers in excess of 3,800 working age Housing Benefit claims. Full UC service in the district has been delayed until July 2018. The roll out will initially only affect new claims, although the majority will transition across over a period of 12-18 months.

SLT Risk Owner: Louise Rudziak / Jane Dodsworth Responsible Officer: Linda Grange / Diane Kirkham

Responsible Officer: Line	da Grange / Diane Kirkham					
		Original and Ta	rget Risk Assessment			
Original Risk Date	02-Mar-2018		Target Risk Date	31-Mar-2019		
TO riginal Risk Score ນ (Q	9	Impact	Target Risk Score	3 lmpact		
		Current and Previou	s Quarter Risk Assessment			
Current Assessment Previous Quarter Assessment	Previous Quarter 19-Mar-2018 6					
Internal Controls					Current Status	
UC Focus Group	and nationally.	ould reduce impact on claints transition online UC claims to raise awareness cy workshops on money red volunteers to run the wo	_		Improving	

Appendix 2 (a)

	Some mitigation has been put into place, for example, by contracting to CAB for debt advice and recruitment of Tenancy Sustainment Officers and a Housing Welfare Officer.	
Nomination of a formal UC lead within the Housing Advice Team	In compliance with Homelessness Reduction Act s.179(2)(g) "The service must be designed to meet the needs of persons in the authority's district including, in particular, the needs of any other group that the authority identify as being at particular risk of homelessness in the authority's district." The Housing Advice Team have nominated a UC lead who will be responsible for coordinating advice to UC claimants that present seeking housing services assistance.	Improving
Register Provider eviction protocol	There is an intention to create a Register Provider eviction protocol so that the Council is warned in advance where there is a risk of homelessness, this will include tenants in receipt of UC, in arrears and where possession proceedings have been instigated. The lead officer conducting this piece of work has been briefed.	Improving
Increase number of units of Council owned temporary accommodation (TA).	On 31 October 2017 CDC purchased 22 Freelands Close. Three, 1 bed units were in use as TA (Temporary Accommodation) from December 2017 with a fourth unit due to be available in March 2018. The Council are considering options to redevelop the site and increase the number of units to a maximum of 12.	Good
Impact on services	Benefit service will be impacted by transfer of WA claims to UC. Exceptions to UC, pensioner HB claims and CTR claims for WA and pensioners will continue to be administered. Revenues and Benefits Management team will continually review impact of rollout and resource requirements, as necessary Housing service may result in increased demand for services, as above, nominated UC lead officer to coordinate housing advice requirements	Good
Claimant support	 Minimal funding received from DWP to assist claimants with submitting and managing their online UC claims 6 kiosk style PC's located in main reception for claimants to use, any assistance to be provided by benefits staff Minimal funding also received to provide PBS (personal budgeting support) cases would be referred from DWP. Currently engaging with CAB to provide this service as the rollout takes effect Publicity for claimant engagement to be arranged as soon as confirmation of roll out date received 	Good
Staff awareness and training	DWP training for staff postponed, new dates not yet arranged Internal staff training options being considered	Improving
Latest Position States	ment	
09 Mar 2018	Since the announcement to postpone the full roll out of Universal Credit in Chichester until July 2018, on 23 November Exchequer, as part of the 2017 Autumn Budget, outlined some changes for Universal Credit. This was followed up on	

speech in the House of Commons from David Gauke MP, Secretary of State for DWP outlining some further changes. These included:

- confirmation that Westward House is considered to be 'temporary accommodation' and therefore will continue to be eligible for Housing Benefit.
- the removal of the 7 day waiting period for new claims.
- claimants who were previously receiving HB and are transitioning onto UC will receive a transitional payment of 2 weeks support
- claimants will be able to request that their housing costs are paid direct to their landlord regardless of tenure.

Despite the announced changes there have been no further notifications about the transition to full service in July 2018 from the DWP.

The CTR scheme is continually monitored to assess the impact of the welfare reform and the use of this scheme to support relevant claimants.

SLT will receive a report from officers in May setting out full details of the mitigations in place at the council.

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

Document is Restricted

High Scoring Programme Board Risks - Mitigation Actions

Status	Risk No.	Risks Area	SLT Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
		Business Improvement PB - Failure to have sufficient resources to deliver projects	Jane Dodsworth / John Ward	4	6	6	4	31-Mar-2019	Improving

Q3 assessment - no change to score, as advised by Jane D. ICT review approved by BIPB in December 2017. Revised ICT strategy to go to Cabinet March 2018. ICT restructure approved. Posts being profiled. Note resignation of ICT Manager may delay implementation of restructure.

High Scoring Organisational Risks - Mitigation Actions

Residents Services Directorate - Jane Dodsworth

Status	Risk No.	Risks Area	DM Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 153	CCS - Increased costs of trade waste disposal, reducing net revenue of service	Bob Riley	9	-	9	4	31-Mar-2019	Improving

Option to use cheaper disposal route being explored and will be reported to the Business Improvement Programme Board.

ປ ຜ commercial Services

51 N Status	Risk No.	Risks Area	DM Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 61	Estates - Rent arrears	Victoria McKay	9	4	6	4	31-Mar-2019	Improving

There continues to be a level of rent arrears close to the Performance Indicator (PI) target; in addition to recovery processes, mitigating measures include securing rent deposits and guarantors for new leases.

Planning Services

Statu	s Risk No.	Risks Area	DM Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 18	Planning – Lack of staff resources to meet case workload	Tony Whitty	6	8	6	4	31-Mar-2019	Improving

Workloads reach unmanageable levels resulting in

- Service delivery
- Community expectations
- Complaints
- Effect on staff
- Loss of staff
- Reputation

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Currently there is a backlog of work to clear, and the service is using agency staff to cover roles whilst recruitment undertaken for vacant roles.

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

Document is Restricted