

## Audit and Standards Committee

Date and Time - **Monday 22 March 2021 – 6:30pm**

Venue - **Remote Meeting**

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### Councillors appointed to the Committee:

A.K. Jeeawon (Chairman), J. Barnes, Mrs M.L. Barnes, K.M. Harmer,  
Mrs E.M. Kirby-Green, C.A. Madeley, Rev H.J. Norton and R.B. Thomas.

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## AGENDA

### 1. MINUTES

To authorise the Chairman to sign the minutes of the meeting of the Audit and Standards Committee held on 7 December 2020 as a correct record of the proceedings.

### 2. APOLOGIES FOR ABSENCE

### 3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chairman decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

### 4. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

## PART A - STANDARDS REPORTS

### 5. CODE OF CONDUCT (Pages 1 - 44)

### 6. INDEPENDENT PERSON RECRUITMENT (Pages 45 - 46)

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**For all enquiries please contact**  
**[louise.hollingsworth@rother.gov.uk](mailto:louise.hollingsworth@rother.gov.uk)**

## **PART B - AUDIT REPORTS**

7. **REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - AUDIT PROGRESS REPORT AND SECTOR UPDATE - TO FOLLOW**
8. **ICT CONTINUITY PLAN PRESENTATION**
9. **INTERNAL AUDIT REPORT TO 31 DECEMBER 2020** (Pages 47 - 56)
10. **INTERNAL AUDIT PLAN 2021/22** (Pages 57 - 70)
11. **REVIEW OF INTERNAL AUDIT 2020/21** (Pages 71 - 80)
12. **TREASURY MANAGEMENT UPDATE** (Pages 81 - 86)
13. **ACCOUNTING POLICIES 2020/21** (Pages 87 - 104)
14. **RISK MANAGEMENT UPDATE** (Pages 105 - 114)
15. **AUDIT INDEPENDENT PERSON RECRUITMENT** (Pages 115 - 116)
16. **WORK PROGRAMME** (Pages 117 - 118)

Malcolm Johnston  
Chief Executive

Agenda Despatch Date: 12 March 2021

### **Invitees in respect of Standards Related Reports only:**

Independent Persons: Mrs Rose Durban, Mrs Susan Fellows and Mrs Jan Gray.

Parish/Town Councillor Representatives: Councillors Mrs W.M. Miers and D. Smedley.

## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 22 March 2021

**Title:** Code of Conduct

**Report of:** Lisa Cooper, Monitoring Officer

**Purpose of Report:** To consider the Council's current Code of Conduct and whether or not to adopt a new Code at this time.

**Officer**

**Recommendation(s):** **Recommendation to COUNCIL:** That

- 1) in order to maintain consistency across the East Sussex authorities the Council's existing Code of Conduct be retained at the current time and amended to bring it in line with East Sussex County Council's version; and
- 2) this Council's position and Code of Conduct be reviewed when the Government's response to the Committee on Standards in Public Life's recommendations is known.

### Introduction

1. As Members may recall, at the meeting held in December it was advised that the Local Government Association's (LGA) new model Code of Conduct (CoC) had not been finalised and published, as anticipated. The LGA subsequently published the new model CoC on 23 December and sent a communication to all Monitoring Officers, which was not received by this Council at that time. I was subsequently made aware by colleagues in our neighbouring authorities in January this year.
2. Colleagues and Monitoring Officers across the other East Sussex authorities believe the best way forward at this stage is to retain existing codes to maintain consistency across the Districts and Boroughs, particularly for the dual-hatted Members and hope to secure agreement to keep our current CoC and not adopt a new CoC at this time. This is particularly pertinent in light of the East Sussex County Council (ESCC) elections taking place in May this year and the likelihood of a number of dual-hatted Members being elected. Furthermore, the Government has yet to respond to the Committee on Standards in Public Life's (CSPL) recommendations following their review of ethical standards and possible changes to legislation that this may bring.
3. A copy of the new LGA model CoC is at Appendix A, our existing Code at Appendix B and ESCC's Code at Appendix C.

### Considerations

4. Whilst this Council is free to determine its own CoC, ESCC's Monitoring Officer believes that it is desirable to maintain a single code across East Sussex, if this is at all possible, as this is greatly appreciated by dual-hatted Members, of which there are a number. The view of the ESCC MO is that the current code works well and that it covers the majority of the points in the new LGA model

code and the preference is to therefore retain the current code, rather than adopt the new model code across East Sussex, at this time.

5. Lewes and Eastbourne Council's current position is not to seek adoption of the model CoC since, in their MO's opinion it is not significantly different in substance from the existing cross county code.
6. Whilst the model CoC is clearer and more user-friendly this alone is not considered enough to justify a recommendation for change by our neighbouring East Sussex authorities who feel that it is best at this stage to wait for a model CoC that contains changes of real substance. They also consider it prudent to wait until the Government have responded to the CSPL's review into ethical standards and recommendations which may result in further legislative change and meaningful sanctions.
7. Should the Government choose to implement any of the recommendations arising from the CSPL's review, this would require a change to the Model Code; the recommendations cover the following areas:
  - Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
  - The introduction of sanctions
  - An appeals process through the Local Government Ombudsman
  - Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
  - Updates to the Local Government Transparency Code
  - Changes to the role and responsibilities of the Independent Person
  - That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished
8. Should the LGA Code be adopted prior to Government consideration and response to the CSPL, further revisions to any newly adopted Code may then be required.
9. Given the above it is recommended that this Council does not consider adopting the LGA's new model CoC at this time to keep us in line with thinking across the county and keep our CoCs relatively the same.

## **Existing Code**

10. Consequently, following a comparison exercise between our CoC and that of ESCC there are one or two differences, highlighted within the Appendices. It is recommended therefore that our current CoC be amended to match that of ESCC and that this version be approved and adopted until such times a new CoC emerges, which may include meaningful sanctions, and which would be supported across the districts and boroughs within East Sussex. The differences are highlighted as follows:

### **RDC Code**

Propose to delete yellow highlighted text at paragraph 3 (a) (iii)-(vii), (ix) and (x) – these are Disclosable Pecuniary Interests and are not required to be listed here, as they are now included at paragraph (5).

### **ESCC Code**

Descriptions at paragraph 5 to be added to RDC Code.

Text at Part 1) Paragraph 7 to be added to RDC Code, as follows:

“(7) Councillors should not seek to misuse the standards process, for example, by making trivial or malicious allegations against another councillor for the purposes of political gain.”

## Conclusion

11. It is recommended that we retain our existing CoC, bring it into line with the ESCC version and review this Council’s position and Code of Conduct when the Government’s response to the CSPL’s recommendations is known.

<b>Other Implications</b>	<b>Applies?</b>	<b>Other Implications</b>	<b>Applies?</b>
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No
Report Contact Officer:	Lisa Cooper, Democratic Services Manager and Monitoring Officer		
e-mail address:	<a href="mailto:lisa.cooper@rother.gov.uk">lisa.cooper@rother.gov.uk</a>		
Appendices:	Appendix A – LGA Model Code Appendix B – RDC Code Appendix C – ESCC Code		
Relevant Previous Minutes:	AS20/33		
Background Papers:	None.		
Reference Documents:	LGA Consultation <a href="https://www.local.gov.uk/code-conduct-consultation-2020">https://www.local.gov.uk/code-conduct-consultation-2020</a>		

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## Local Government Association – Model Code of Conduct

### Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

### Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code.

The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **General principles of councillor conduct**

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

## **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.



Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

## **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

As a councillor:

- 1.1** I treat other councillors and members of the public with respect.
- 1.2** I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

#### **2. Bullying, harassment and discrimination**

As a councillor:

- 2.1** I do not bully any person.
- 2.2** I do not harass any person.

**2.3** I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

**3. Impartiality of officers of the council**

As a councillor:

**3.1** I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

**4. Confidentiality and access to information**

As a councillor:

- 4.1** I do not disclose information:
- a.** given to me in confidence by anyone
  - b.** acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless
    - i.** I have received the consent of a person authorised to give it;

- ii. I am required by law to do so;
- iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
- iv. the disclosure is:
  - 1. reasonable and in the public interest; and
  - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and
  - 3. I have consulted the Monitoring Officer prior to its release.

**4.2** I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

**4.3** I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

As a councillor:

**5.1** I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

As a councillor:

**6.1** I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Use of local authority resources and facilities**

As a councillor:

- 7.1** I do not misuse council resources.
- 7.2** I will, when using the resources of the local authority or authorising their use by others:
- a.** act in accordance with the local authority's requirements; and
  - b.** ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **8. Complying with the Code of Conduct**

As a Councillor:

- 8.1** I undertake Code of Conduct training provided by my local authority.
- 8.2** I cooperate with any Code of Conduct investigation and/or determination.
- 8.3** I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.
- 8.4** I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you

to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

## **Protecting your reputation and the reputation of the local authority**

### **9. Interests**

As a councillor:

#### **9.1** I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

### **10. Gifts and hospitality**

As a councillor:

- 10.1** I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.
- 10.2** I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.
- 10.3** I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance

# Appendices

## Appendix A - The Seven Principles of Public Life

The principles are:

### **Selflessness**

Holders of public office should act solely in terms of the public interest.

### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### **Honesty**

Holders of public office should be truthful.

### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## **Appendix B Registering interests**

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in Table 2 (Other Registerable Interests).

**"Disclosable pecuniary interest"** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

**"Partner"** means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

### **Non participation in case of disclosable pecuniary interest**

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in Table 1, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. A dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

### **Disclosure of Other Registerable Interests**

6. Where a matter arises at a meeting which directly relates to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted



a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

### **Disclosure of Non-Registerable Interests**

7. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which affects –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under Disclosable Pecuniary Interests as set out in Table 1

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter affects your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

you may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

**Table 1: Disclosable Pecuniary Interests**

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

<b>Subject</b>	<b>Description</b>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.

Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor's knowledge) — (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

\* 'director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
  - (i) exercising functions of a public nature
  - (ii) any body directed to charitable purposes or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

**Table 2: Other Registerable Interests**

# CODE OF CONDUCT FOR MEMBERS

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The Code of Conduct, adopted by Rother District Council on 8 July 2019 is set out below. It is made under Chapter 7 of the Localism Act 2011. It includes, as standing orders made under Chapter 7 of that Act and Schedule 12 of the Local Government Act 1972, provisions which require Members to leave meetings in appropriate circumstances, while matters in which they have a personal and prejudicial or disclosable pecuniary interest are being considered.

## PART 1

### GENERAL PROVISIONS

#### Introduction and Interpretation

1. (1) The Code applies to **you** as a Member of the authority, when acting in that capacity.
- (2) This Code is based upon seven principles fundamental to public service which are set out in Appendix 1. You should have regard to these principles they will help you to comply with the Code.
- (3) If you need guidance on any matter under this Code you should seek it from the authority's Monitoring Officer or your own legal advisor – but it is entirely your responsibility to comply with the provisions of this Code.
- (4) It is a criminal offence to fail to notify the authority's Monitoring Officer of a disclosable pecuniary interest, to take part in discussions or votes at meetings, or to take a decision where you have a disclosable pecuniary interest, without reasonable excuse. It is also an offence to knowingly or recklessly provide false or misleading information to the authority's Monitoring Officer.
- (5) Any written allegation received by the authority that you have failed to comply with this Code will be dealt with by the authority under the arrangements which it has adopted for such purposes. If it is found that you have failed to comply with the Code, the authority has the right to have regard to this failure in deciding;
  - (a) whether to take action in relation to you; and
  - (b) what action to take.
- (6) In this Code –

“authority” means Rother District Council

“Code” means this Code of Conduct

“co-opted member” means a person who is not a member of the authority but who –

- (a) is a member of any committee or sub-committee of the authority, or
- (b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority.

and who is entitled to vote on any questions to be decided at any meetings of that committee or sub-committee.

“meeting” means any meeting of

- (a) the authority;
- (b) the executive of the authority;
- (c) any of the authority’s or its executive’s committees, sub-committees, joint committees, joint sub-committees, or area committees;

“member” includes a co-opted member.

“register of members’ interest” means the authorities’ register of members’ pecuniary and other interests established and maintained by the authority’s Monitoring Officer under section 29 of the Localism Act 2011.

## Scope

2. (1) Subject to sub-paragraphs (2) and (3), you must comply with the Code whenever you –
- (a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or
  - (b) act, claim to act or give the impression you are acting as a representative of your authority.

and references to your official capacity are construed accordingly.

- (2) this Code does not have effect in relation to your conduct other than where it is in your official capacity.
- (3) Where you act as a representative of your authority –
  - (a) on another relevant authority, you must, when acting for that other authority, comply with that other authority’s code of conduct; or
  - (b) on any other body, you must, when acting for that other body, comply with your authority’s code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

## General Obligations

3. (1) You must treat others with respect.
  - (2) You must not –
    - (a) do anything which may cause your authority to breach any of its equality duties (in particular set out in the Equality Act 2010);
    - (b) bully or harass any person; bullying may be characterised as: offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Harassment may be characterised as unwanted conduct which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for an individual;
    - (c) intimidate or attempt to intimidate any person who is or is likely to be –
      - (i) a complainant;
      - (ii) a witness, or
      - (iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with his or her authority's code of conduct; or
    - (d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.
4. You must not –
    - (a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where –
      - (i) you have the consent of the person authorised to give it;
      - (ii) you are required by law to do so;
      - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
      - (iv) the disclosure is –
        - (a) reasonable and in the public interest; and
        - (b) made in good faith and in compliance with the reasonable requirements of the authority; or

- (c) prevent another person from gaining access to information to which that person is entitled by law.
5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.
  6. You –
    - (1) must not use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage;
    - (2) must, when using or authorising the use by others of the resources of your authority –
      - (a) act in accordance with your authority’s reasonable requirements;
      - (b) ensure that such resources are not used improperly for political purposes (including party political purposes);
    - (3) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986; and
    - (4) must comply with any request regarding the provision of information in relation to a complaint alleging a breach of the Code of Conduct and must comply with any formal standards investigation.
  7. (1) When reaching decisions on any matters you must have regard to any relevant advice provided to you by –
    - (a) your authority’s Chief Finance Officer; or
    - (b) your authority’s Monitoring Officer,

where that officer is acting pursuant to his or her statutory duties.
  - (2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.

## **PART 2**

### **INTERESTS**

#### **Personal Interests**

8. (1) The interests described in paragraphs 8(3) are your personal interests and the interests in paragraph 8(5) are your pecuniary interests which are disclosable pecuniary interests as defined by section 30 of the Localism Act 2011.
- (2) If you fail to observe Parts 2 and 3 of the Code in relation to your personal interests-
  - (a) the authority may deal with the matter as mentioned in paragraph 1(5).



- (b) if the failure is related to a disclosable pecuniary interest, you may also become subject to criminal proceedings as mentioned in paragraph 1(4).
- (3) You have a personal interest in any business of your authority where either –
  - (a) it relates to or is likely to affect –
    - (i) any body of which you are a member or in the position of general control or management and to which you are appointed or nominated by the authority;
    - (ii) any body –
      - (a) exercising functions of a public nature;
      - (b) directed to charitable purposes; or
      - (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or are in a position of general control or management;

(iii) any employment or business carried on by you;

(iv) any person or body who employs or has appointed you;

(v) any person or body, other than a relevant authority who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;

(vi) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);

(vii) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of a description specified in paragraph (vi);

(viii) the interest of any person from whom you have received a gift or hospitality with an estimated value of at least £50;

(ix) any land in your authority's area in which you have a beneficial interest;

(x) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which

you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;

- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of (in the case of authorities with electoral divisions or wards) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision;
- (4) In sub-paragraph 8(3)(b), a relevant person is –
- (a) a member of your family or a [close] friend; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph (3)(a)(i) or (ii).
- (5) Subject to sub-paragraphs (6) and (7), you have a personal interest which is also a disclosable pecuniary interest as defined by section 30 of the Localism Act 2011 in any business of your authority which concerns any of the following for (i) you or (ii) your partner-

Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.  This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(1).
Contracts	Any contract which is made between you (or a body in which you have a beneficial interest) and the relevant authority—  (a) under which goods or services are to be provided or works are to be executed; and  (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.

Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which you have a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to your knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the I have a beneficial interest exceeds one hundredth of the total issued share capital of the class.

- (6) In sub-paragraph (5), your partner means –
- (a) your spouse or civil partner,
  - (b) a person with whom you are living as husband or wife, or
  - (c) a person with whom you are living as if you were civil partners,
- (7) In sub-paragraph (5), any interest which your partner may have is only treated as your interest if you are aware that your partner has the interest.

### **Disclosure of Personal Interests (See also Part 3)**

9. (1) Subject to sub-paragraphs (2) to (6), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which any matter relating to the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) If the personal interest is entered on the authority's register there is no requirement for you to disclose the interest to that meeting, but you should do so if you wish a disclosure to be recorded in the minutes of the meeting.
- (3) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

- (4) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest and, if also applicable, that it is a disclosable pecuniary interest, but need not disclose the sensitive information to the meeting.
- (5) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision on any matter in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (6) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000.

### **Prejudicial Interest Generally**

- 10.** (1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where either –
- (a) the interest is a disclosable pecuniary interest as described in paragraph 8(5), or
  - (b) the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) For the purposes of sub-paragraph (1)(b), you do not have a prejudicial interest in any business of the authority where that business –
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
  - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
  - (c) relates to the functions of your authority in respect of –
    - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
    - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
    - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;

- (iv) an allowance, payment or indemnity given to members;
- (v) any ceremonial honour given to members; and
- (vi) setting Council Tax or a precept under the Local Government Finance Act 1992.

### **Interests arising in relation to Overview and Scrutiny Committees**

- 11.** You also have a personal interest in any business before an Overview and Scrutiny Committee of your authority (or of a sub-committee of such a committee) where –
- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority’s executive or another of your authority’s committees, sub-committees, joint committees or joint sub-committees; and
  - (b) at the time the decision was made or action was taken, you were a Member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of Prejudicial and Pecuniary Interests on Participation**

- 12.** (1) Subject to sub-paragraph (2) and (3), where you have a prejudicial and disclosable pecuniary in any matter in relation to the business of your authority –
- (a) you must not participate, or participate further, in any discussion of the matter at any meeting, or participate in any vote, or further vote, taken on the matter at the meeting and must withdraw from the room or chamber where the meeting considering the matter is being held –
    - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
    - (ii) in any other case, whenever it becomes apparent that the matter is being considered at that meeting;

unless you have obtained a dispensation from your authority’s Monitoring Officer or Standards Committee;
  - (b) you must not exercise executive functions in relation to that matter; and
  - (c) you must not seek improperly to influence a decision about that matter.
- (2) Where you have a prejudicial interest in any business of your authority which is not a disclosable pecuniary interest as described in paragraph 8(5), you may attend a meeting (including a meeting of the Overview and Scrutiny Committee of your authority or of a sub-committee of such a

committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

- (3) Where you can have a prejudicial interest which is not a disclosable pecuniary interest as described in paragraph 8(5), arising solely from membership of any body described in 8(3)(a)(i) or 8(3)(a)(ii)(a) then you do not have to withdraw from the room or chamber and may make representations to the committee but may not participate in the vote.

## **PART 3**

### **REGISTRATION OF INTERESTS**

#### **Registration of Members' Interests**

13. (1) Subject to paragraph 14, you must, within 28 days of-
  - (a) this Code being adopted by the authority; or
  - (b) your election or appointment to office (where that is later), register in the Register of Members' Interests details of –
    - (i) your personal interests where they fall within a category mentioned in paragraph 8(3)(a) and
    - (ii) your personal interests which are also disclosable pecuniary interests where they fall within a category mentioned in paragraph 8(5)

by providing written notification to your authority's Monitoring Officer.
- (2) Subject to paragraph 14, you must, within 28 days of becoming aware of any new personal interest falling within sub-paragraphs (1)(i) or (1)(ii) or any change to any personal interest registered under sub-paragraphs (1)(i) or (1)(ii), register details of that new personal interest or change by providing written notification to your authority's Monitoring Officer.

#### **Sensitive Information**

14. (1) Where you consider that the information relating to any of your personal interests is sensitive information, and your authority's Monitoring Officer agrees, the Monitoring Officer shall not include details of the interest on any copies of the Register of Members' Interests which are made available for inspection or any published version of the register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.
- (2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify your authority's Monitoring Officer asking that the information be included in the Register of Members' Interests.

- (3) In this Code, “sensitive information” means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

## Dispensations

15. (1) The Monitoring Officer may, on a written request made to the Monitoring Officer of the authority by a Member, grant a dispensation relieving the Member from either or both of the restrictions in paragraph 12(1)(a) (restrictions on participating in discussions and in voting), in cases described in the dispensation.
- (2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the Monitoring Officer –
- (a) considers that without the dispensation the number of persons prohibited by paragraph 12 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business;
  - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business;
  - (c) considers that granting the dispensation is in the interests of persons living in the authority’s area;
  - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each Member of the authority’s executive would be prohibited by paragraph 12 from participating in any particular business to be transacted by the authority’s executive; or
  - (e) considers that it is otherwise appropriate to grant a dispensation.
- (3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.
- (4) Paragraph 12 does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph.

## The 7 Principles of Public Life

The principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

### Selflessness

1. Holders of public office should act solely in terms of the public interest.

### Integrity

2. Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### Objectivity

3. Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### Accountability

4. Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### Openness

5. Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

### Honesty

6. Holders of public office should be truthful.

### Leadership

7. Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.



## Code of Conduct for Members

On their election or co-option to the East Sussex County Council, members are required to sign an undertaking to comply with the authority's Code of Conduct.

This Code of Conduct, adopted by the authority on 20 July 2012, is set out below. It is made under Chapter 7 of the Localism Act 2011 and includes, as standing orders made under Chapter 7 of that Act and Schedule 12 of the Local Government Act 1972, provisions which require members to leave meetings in appropriate circumstances, while matters in which they have a personal interest are being considered.

### Part 1 – General provisions

#### Introduction and interpretation

1. —(1) This Code applies to **you** as a member of the authority, when acting in that capacity.

(2) This Code is based upon seven principles fundamental to public service, which are set out in **Appendix 1**. You should have regard to these principles as they will help you to comply with the Code.

(3) If you need guidance on any matter under this Code you should seek it from the authority's monitoring officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.

(4) It is a criminal offence to fail to notify the authority's monitoring officer of a disclosable pecuniary interest, to take part in discussions or votes at meetings, or to take a decision where you have disclosable pecuniary interest, without reasonable excuse. It is also an offence to knowingly or recklessly to provide false or misleading information to the authority's monitoring officer.

(5) Any written allegation received by the authority that you have failed to comply with this Code will be dealt with by the authority under the arrangements which it has adopted for such purposes. If it is found that you have failed to comply with the Code, the authority has the right to have regard to this failure in deciding -

(a) whether to take action in relation to you and

(b) what action to take.

(6) Councillors are required to comply with any request regarding the provision of information in relation to a complaint alleging a breach of the Code of Conduct and must comply with any formal standards investigation. (Under Para 6 in RDC Code).

(7) Councillors should not seek to misuse the standards process, for example, by making trivial or malicious allegations against another councillor for the purposes of political gain.

(8) In this Code—

“authority” means East Sussex County Council

“Code” means this Code of Conduct

“co-opted member” means a person who is not a member of the authority but who-

(a) is a member of any committee or sub-committee of the authority, or

(b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority,

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.

"meeting" means any meeting of—

(a) the authority;

(b) the executive of the authority

(c) any of the authority's or its executive's committees, sub-committees, joint committees, joint sub-committees, or area committees;

"member" includes a co-opted member.

“register of members’ interests” means the authority's register of members' pecuniary and other interests established and maintained by the authority's monitoring officer under section 29 of the Localism Act 2011.

## **Scope**

2. —(1) Subject to sub-paragraphs (2) and (3), you must comply with this Code whenever you—

(a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or

(b) act, claim to act or give the impression you are acting as a representative of your authority,

and references to your official capacity are construed accordingly.

(2) This Code does not have effect in relation to your conduct other than where it is in your official capacity.

(3) Where you act as a representative of your authority—

(a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or

(b) on any other body, you must, when acting for that other body, comply with your authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

### **General obligations**

**3.** —(1) You must treat others with respect.

(2) You must not—

(a) do anything which may cause your authority to breach any of its equality duties (in particular as set out in the Equality Act 2010);

(b) bully or harass any person; Note: Bullying may be characterised as: offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Harassment may be characterised as unwanted conduct which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for an individual.

(c) intimidate or improperly influence or attempt to intimidate or improperly influence any person who is or is likely to be—

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

**4.** You must not—

(a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

- (i) you have the consent of a person authorised to give it;
- (ii) you are required by law to do so;
- (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
- (iv) the disclosure is—
  - (a) reasonable and in the public interest; and
  - (b) made in good faith and in compliance with the reasonable requirements of the authority; or

(b) prevent another person from gaining access to information to which that person is entitled by law.

**5.** You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

**6.** You—

(a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage;

(b) must, when using or authorising the use by others of the resources of your authority—

- (i) act in accordance with your authority's reasonable requirements;
- (ii) ensure that such resources are not used improperly for political purposes (including party political purposes); and

(c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

**7.** —(1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by—

- (a) your authority's chief finance officer; or
- (b) your authority's monitoring officer,

where that officer is acting pursuant to his or her statutory duties.

(2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.

## Part 2 – Interests

### Personal interests

8. – (1) The interests described in paragraphs 8(3) and 8(5) are your personal interests and the interests in paragraph 8(5) are your pecuniary interests which are disclosable pecuniary interests as defined by section 30 of the Localism Act 2011.

(2) If you fail to observe Parts 2 and 3 of the Code in relation to your personal interests-

(a) the authority may deal with the matter as mentioned in paragraph 1(5) and

(b) if the failure relates to a disclosable pecuniary interest, you may also become subject to criminal proceedings as mentioned in paragraph 1(4).

(3) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(a) exercising functions of a public nature;

(b) directed to charitable purposes; or

(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(iii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50;

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of (in the case of authorities with electoral divisions or wards) other council tax payers,

ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision;

(4) In sub-paragraph (3)(b), a relevant person is—

(a) a member of your family or a close friend; or

(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;

(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or

(d) any body of a type described in sub-paragraph (3)(a)(i) or (ii).

(5) Subject to sub-paragraphs (6) and (7), you have a personal interest which is also a disclosable pecuniary interest as defined by section 30 of the Localism Act 2011 in any business of your authority where (i) you or (ii) your partner have an interest within the following descriptions:

Interest	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)—

Securities	<p>(a) the landlord is the relevant authority; and                  (b) the tenant is a body in which the relevant person has a beneficial interest.</p> <p>Any beneficial interest in securities of a body where—                  (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and                  (b) either—                  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or                  (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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These descriptions on interests are subject to the following definitions;

'body in which the relevant person has a beneficial interest' means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

'director' includes a member of the committee of management of an industrial and provident society;

'land' includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

'M' means the person M referred to in section 30 of the Localism Act 2011;

'member' includes a co-opted member;

'relevant authority' means the authority of which M is a member;

'relevant period' means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) of the Localism Act 2011;

'relevant person' means M or any other person referred to in section 30(3)(b) of the Localism Act 2011;

'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

(6) In sub-paragraph (5), your partner means—

(a) your spouse or civil partner,

(b) a person with whom you are living as husband and wife, or

(c) a person with whom you are living as if you were civil partners,

(7) In sub-paragraph (5), any interest which your partner may have is only treated as your interest if you are aware that that your partner has the interest.

### **Disclosure of personal interests (See also Part 3)**

**9.** —(1) Subject to sub-paragraphs (2) to (6), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which any matter relating to the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

(2) If the personal interest is entered on the authority's register there is no requirement for you to disclose the interest to that meeting, but you should do so if you wish a disclosure to be recorded in the minutes of the meeting.

(3) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(4) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest and, if also applicable, that it is a disclosable pecuniary interest, but need not disclose the sensitive information to the meeting.

(5) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision on any matter in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(6) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000.



### **Prejudicial interest generally**

**10.** —(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where either-

(a) the interest is a disclosable pecuniary interest as described in paragraph 8(5), or

(b) the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) For the purposes of sub-paragraph (1)(b), you do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;

(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or

(c) relates to the functions of your authority in respect of—

- (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
- (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
- (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
- (iv) an allowance, payment or indemnity given to members;
- (v) any ceremonial honour given to members; and
- (vi) setting council tax or a precept under the Local Government Finance Act 1992.

### **Interests arising in relation to overview and scrutiny committees**

**11.** You also have a personal interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

(a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and

(b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of prejudicial interests on participation**

**12.** —(1) Subject to sub-paragraph (2) and (3), where you have a prejudicial interest in any matter in relation to the business of your authority—

(a) you must not participate, or participate further, in any discussion of the matter at any meeting, or participate in any vote, or further vote, taken on the matter at the meeting and must withdraw from the room or chamber where the meeting considering the matter is being held—

- (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
- (ii) in any other case, whenever it becomes apparent that the matter is being considered at that meeting;

unless you have obtained a dispensation from your authority's monitoring officer or standards committee;

(b) you must not exercise executive functions in relation to that matter; and

(c) you must not seek improperly to influence a decision about that matter.

(2) Where you have a prejudicial interest in any business of your authority which is not a disclosable pecuniary interest as described in paragraph 8(5), you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence

relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

(3) Where you have a prejudicial interest which is not a disclosable pecuniary interest as described in paragraph 8(5), arising solely from membership of any body described 8(3)(a)(i) or 8(3)(a)(ii)(a) then you do not have to withdraw from the room or chamber and may make representations to the committee but may not participate in the vote.

### **Part 3 – Registration of Interests**

#### **Registration of members' interests**

**13.** —(1) Subject to paragraph 14, you must, within 28 days of—

(a) this Code being adopted by the authority; or

(b) your election or appointment to office (where that is later), register in the register of members' interests details of-

- (i) your personal interests where they fall within a category mentioned in paragraph 8(3)(a) and
- (ii) your personal interests which are also disclosable pecuniary interests where they fall within a category mentioned in paragraph 8(5)

by providing written notification to your authority's monitoring officer.

(2) Subject to paragraph 14, you must, within 28 days of becoming aware of any new personal interest falling within sub-paragraphs (1)(b)(i) or (1)(b)(ii) or any change to any personal interest registered under sub-paragraphs (1)(b)(i) or (1)(b)(ii), register details of that new personal interest or change by providing written notification to your authority's monitoring officer.

#### **Sensitive information**

**14.** —(1) Where you consider that the information relating to any of your personal interests is sensitive information, and your authority's monitoring officer agrees, the monitoring officer shall not include details of the interest on any copies of the register of members' interests which are made available for inspection or any published version of the register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is

no longer sensitive information, notify your authority's monitoring officer asking that the information be included in the register of members' interests.

(3) In this Code, "sensitive information" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

## **Dispensations**

**15** - (1) The standards committee, or any sub-committee of the standards committee or the monitoring officer may, on a written request made to the monitoring officer of the authority by a member, grant a dispensation relieving the member from either or both of the restrictions in paragraph 12(1)(a) (restrictions on participating in discussions and in voting), in cases described in the dispensation.

(2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the standards committee, its sub-committee or the monitoring officer.—

(a) considers that without the dispensation the number of persons prohibited by paragraph 12 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

(b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,

(c) considers that granting the dispensation is in the interests of persons living in the authority's area,

(d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by paragraph 12 from participating in any particular business to be transacted by the authority's executive, or

(e) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.

(4) Paragraph 12 does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph.

## **APPENDIX 1**

### **The Seven Principles of Public Life**

The Principles of public life apply to anyone who works as a public office holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

#### *Selflessness*

1. Holders of public office should act solely in terms of the public interest.

#### *Integrity*

2. Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

#### *Objectivity*

3. Holder of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### *Accountability*

4. Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### *Openness*

5. Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

#### *Honesty*

6. Holders of public office should be truthful.

#### *Leadership*

7. Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 22 March 2021

**Title:** Independent Person Recruitment

**Report of:** Lisa Cooper, Monitoring Officer

**Purpose of Report:** To recommend the appointment of an Independent Person to take office in July 2021.

### Officer

**Recommendation(s):** **Recommendation to COUNCIL:** That Robert Brown be appointed as an Independent Person in accordance with Chapter 7, Section 28 of the Localism Act 2011, for a term of four years commencing from 10 July 2021.

**Monitoring Officer: Lisa Cooper**

### Introduction

1. As Members will recall at the last meeting held in December, the Committee was advised of the need to appoint at least one other Independent Person (IP) following the expiry of the Term of Office of two of the Council's three IPs in July 2021. The process to be undertaken was agreed and the Committee decided to recommend just one appointment, making a total of two IPs.
2. The Committee agreed that the Chairman of the Committee, the Chief Executive together with the Monitoring Officer comprise a panel to interview the suitable applicants and make a recommendation, via this meeting of the Audit and Standards Committee and then on to full Council on 17 May 2021.

### Publicity

3. The Independent Person vacancy was advertised by way of a press release, the Council's website and promoted via social media and MyAlerts, as well being notified to all Councillors and all Parish and Town Councils within the Rother area. Each applicant was provided with a recruitment pack that set out the Role Profile and Person Specification.

### Selection and Interview Panel

4. At the closing date (29 January 2021), 9 applications had been received and four candidates were shortlisted for interview, held on 18 February 2021 via MS Teams; two applicants from the 2019 recruitment exercise were also considered (included in the 9 above). Given that there was only one position and having to conduct the process over MS Teams, it was agreed with the Chairman that we would shortlist down to four applicants, plus the two 2019 candidates. One applicant withdrew from the process a few days before the interview date.

5. The expectations of the role in terms of regular attendance at meetings and contributions to committee discussions on standards matters were explained to each applicant at interview.
6. At the request of one of the applicants, all applicants were offered an informal telephone conversation with one of the Council's existing IP to gain an understanding of the role, time involved and working arrangements; the majority of applicants took up the offer.
7. The decision of the Panel is outlined below in order that the Committee can then make a recommendation to full Council on 17 May 2021. The calibre of the applicants was high, and it was a difficult decision to make.

### **Risk Management**

8. Failure to appoint an additional Independent Persons will result in a lack of resilience leaving only IP in post following the expiry of two of the current three IPs' Terms of Office.

### **Appointments**

9. Having interviewed several very good candidates, the Panel are confident to recommend that Mr Robert Brown be appointed to serve as one of the Council's Independent Persons. A profile of Mr Brown has been circulated to Members separately from the Agenda.

### **Conclusion**

10. Following the recruitment process to appoint an Independent Person, the Committee is asked to recommend to Council that Mr Robert Brown's name be put forward for approval by the full Council on Monday 17 May.

Lisa Cooper  
Democratic Services Manager and Monitoring Officer

<b>Other Implications</b>	<b>Applies?</b>	<b>Other Implications</b>	<b>Applies?</b>
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	Yes	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Lisa Cooper, Democratic Services Manager and Monitoring Officer
e-mail address:	<a href="mailto:lisa.cooper@rother.gov.uk">lisa.cooper@rother.gov.uk</a>
Appendices:	None.
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	The Localism Act 2011, Chapter 7, Section 28



## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	22 March 2021
<b>Title:</b>	Internal Audit Report to 31 December 2020
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report:</b>	To report on Internal Audit activity in the third quarter of 2020/21 and to provide a progress update on the implementation of audit recommendations made in earlier periods.
<b>Officer</b>	
<b>Recommendation(s):</b>	It be <b>RESOLVED:</b> That: the Internal Audit report to 31 December 2020 be noted.

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### Introduction

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards. It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit, but also to risk management and corporate governance.

### Summary of Activity to 31 December 2020

3. Four audit reports were issued in the quarter, three of which were routine Governance audits. An overview of the findings arising from each of these audits is given in the Executive Summaries which are reproduced in Appendix A.
4. All of these audits provided good or substantial assurance on those areas reviewed.
5. Other activity during the quarter included coordination of the National Fraud Initiative data uploads, a review of U4BW/ERP user access, counter fraud work/whistleblowing referrals, audit advice on various issues, and the completion of weekly Government returns for Business Support Grants to assist our colleagues in Finance.

### Implementation of Audit Recommendations

6. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.

7. From this it can be seen that whilst there has been some movement on the older recommendations, progress remains slow. A total of 13 recommendations still need to be implemented including five long outstanding (i.e. pre-April 2019) recommendations. The Chief Executive is aware of the situation and is working with the relevant Heads of Service to ensure that the remaining recommendations are resolved as soon as possible.
8. A progress update on the ICT Continuity Plan, which is the subject of one of the long outstanding recommendations, is provided elsewhere on this agenda in a report submitted by the Assistant Director Resources.
9. Few recommendations were made in the first six months of 2020/21. This reflects the fact that of the seven audits completed during this period, most were limited in scope because of the COVID-19 pandemic. All current year recommendations made up to 30 September 2020 have already been implemented.

## Conclusion

10. This quarter, the first of the annual Governance audits were completed, hopefully heralding the beginning of a return to 'business as usual' for the Internal Audit Team.
11. Progress on the older audit recommendations remains slow but is being actively monitored.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	<a href="mailto:gary.angell@rother.gov.uk">gary.angell@rother.gov.uk</a>
Appendices:	A – Audit Reports issued during Quarter to 31 December 2020 B – Summary of Progress on Recommendations Made up to 30 September 2020
Relevant Previous Minutes:	AS20/37
Background Papers:	None.
Reference Documents:	None.

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**JOINT WASTE CONTRACT - CENTRAL ADMIN AUDIT 2020/21 (PART 2)**

Service Manager: Madeleine Gorman

Overall Level of Assurance: **GOOD**

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**Introduction**

This review has been carried out in accordance with the revised 2020/21 Audit Plan. This places an emphasis on auditing the key risks which would have most impact on the Council during the COVID-19 crisis and reporting any findings promptly to management so that swift remedial action can be taken if necessary.

**Scope and Objectives**

Having already checked and agreed the initial contract uplift calculation in Part 1 of this review, this audit focused on checking the 2020/21 contract uplift. It also sought to confirm that all core and variable contract costs are being correctly calculated and recharged to the partner authorities.

**Findings**

The 2020/21 uplift calculation and changes to the Bill of Quantities were independently checked and agreed at the audit.

All core costs incurred from the start of the contract to 30 June 2020 were agreed and have been correctly recharged.

The number of variable items (e.g. clinical/garden/bulky waste collections, fly tips etc) are being confirmed by supervising officers each month and the costs correctly recharged to the partner authorities. The breakdown of the variable costs included in the contractor's invoices for January 2020 and June 2020 was also independently checked and agreed.

**Level of Assurance**

Based on the findings of the audit we have determined that good assurance can be given on those aspects covered by this review.

**Executive Summary**

The calculation of contract uplifts and the recharge of costs was found to be well controlled, and it was not necessary to make any recommendations to management as a result of this audit.

Internal Audit Service  
October 2020

**MAIN ACCOUNTING AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Tony Baden

Overall Level of Assurance: **GOOD**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Completeness of Records</b> – All transactions are promptly recorded in the General Ledger and bank reconciliations are regularly carried out to ensure that they are correct.	<b>M</b>
<b>Journals</b> – All journal entries are complete, accurate and properly authorised.	<b>P</b>
<b>Budgetary Control</b> – All expenditure and income is closely monitored and controlled.	<b>M</b>
<b>Year End Provisions</b> – Adequate provisions are made for outstanding liabilities and income due in the final accounts.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

The only point raised was in respect of the need to attach supporting documentation to journal entries when the narrative alone is not sufficient.

**Executive Summary**

Overall, the control objectives are considered to have largely been met and it was only necessary to make one low risk recommendation to management to further enhance the governance arrangements.

Internal Audit Service  
November 2020

**TREASURY MANAGEMENT AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Ola Janowicz

Overall Level of Assurance: **SUBSTANTIAL****Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>INVESTMENTS</b>	
<b>Policy and Procedures</b> – Investments are only made in accordance with the Council's approved policy and any amendments are promptly actioned. The Council seeks to maximise the return on its investments where it is prudent to do so.	<b>M</b>
<b>Authorisation and Record Keeping</b> – All investments and withdrawals are properly authorised with all relevant records and accounts updated and adequate documentation kept to support the transfer of funds.	<b>P</b>
<b>Monitoring of Performance</b> – There is regular monitoring and reporting of investment performance.	<b>M</b>
<b>LOANS</b>	
<b>Policy and Procedures</b> – The Council has an approved strategy for external borrowing and borrowing levels are related to the Council's needs.	<b>P</b>
<b>Authorisation and Record Keeping</b> – All loans are properly authorised with all relevant records and accounts updated and adequate documentation kept to support each transaction.	<b>M</b>
<b>Repayment and Interest</b> – All loan repayments and interest charges are correctly calculated and properly recorded.	<b>P</b>

INVESTMENTS AND LOANS	
<p><b>Reconciliation and Other Controls</b> – There are regular reconciliations to ensure that all transactions are accounted for. There is fidelity insurance cover for all staff involved in Treasury Management. Members receive Treasury Management training.</p>	<p><b>P</b></p>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found were:

- **Online Banking System** – There is currently no back-up system administrator.
- **Reconciliation** – The investment and loans spreadsheets need to be reconciled to the main accounting system and to financial institutions’ records on a regular basis.

Two recommendations are also still outstanding from last year’s audit. These relate to the need for a process to notify the online banking system administrator of staff changes, and to produce procedure notes for Loans.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and one low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
December 2020

**CREDITORS AUDIT**

Head of Service: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Tony Baden, Kate Woodbridge and Ben Coleman

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose and Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Orders and Authorisation</b> – Orders for goods and services are properly raised, authorised and confirmed in accordance with the Financial Procedure Rules.	<b>M</b>
<b>Invoice Processing</b> – Legitimate invoices are promptly paid once the goods or services have been received. Payments are made to the correct supplier for the correct amount.	<b>P</b>
<b>Payment</b> – All payments are properly authorised and run totals agreed.	<b>M</b>

Note – **Cheque Control** (the control and recording of cheque usage) was not reviewed as part of this audit.

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found were:

- **Invoices paid without a purchase order** – There has been a significant rise in the number of invoices processed without a purchase order and this bypasses standard controls. Management therefore need to remind all authorisers and requisitioners that a purchase order must be raised for all goods and services unless the supplier is named on the Exempt Suppliers List.

- **Orders that remain open once fulfilled** – This is a known issue. A recommendation is made to produce regular reports highlighting all such cases so that the orders can be manually closed to prevent them from being reused.

Three medium risk recommendations are also still outstanding from previous audits. Two of these relate to improvements required to the controls for the approval of additional expenditure. The other was to provide a more permanent solution to the issue of purchase orders remaining open once fulfilled.

### **Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
December 2020



## Summary of Progress on Recommendations Made up to 30 September 2020

### Old Years - Audit Recommendations 2018/19 and 2019/20

Previous quarter's performance shown in brackets

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	3	3 (3)	0 (0)	0 (0)
Medium	71	63 (58)	7 (11)	1 (2)
Low	39	34 (34)	4 (3)	1 (2)
<b>Total</b>	<b>113</b>	<b>100 (95)</b>	<b>11 (14)</b>	<b>2 (4)</b>
		<b>88.5%</b> (84.1%)	<b>9.7%</b> (12.4%)	<b>1.8%</b> (3.5%)

NB – The last remaining 2017/18 recommendation was also completed this quarter.

Breakdown of outstanding audit recommendations for 2018/19 and 2019/20 by Head of Service:

#### Ben Hook (Acquisitions, Transformation & Regeneration)

- Property Investment (2019/20) - issued 04/02/20 (1 Medium)

#### Deborah Kenneally (Neighbourhood Services) – recent appointment

- Car Park Income (2019/20) - issued 27/09/19 (1 Medium, 1 Low)

#### Robin Vennard (Resources)

- Procurement (2018/19) – issued 05/10/18 (1 Medium)
- Council Tax (2018/19) – issued 04/01/19 (1 Low)
- ICT Network Security (2018/19) – issued 16/01/19 (1 Low)
- Creditors (2018/19) – issued 12/03/19 (1 Medium)
- ICT Governance (2018/19) – issued 12/04/19 (1 Medium)
- Main Accounting (2019/20) – issued 23/12/19 (1 Low)
- Treasury Management (2019/20) – issued 11/03/20 (1 Medium, 1 Low)
- Creditors (2019/20) – issued 21/04/20 (2 Medium)

Long Outstanding  
Recommendations

### Current Year - Audit Recommendations 2020/21 (up to 30 September 2020)

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0	0	0
Medium	1	1	0	0
Low	2	2	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>
		<b>100%</b>	<b>0%</b>	<b>0%</b>

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## Rother District Council

**Report to:** Audit and Standards Committee

**Date:** 22 March 2021

**Title:** Internal Audit Plan 2021/22

**Report of:** Gary Angell, Audit Manager

**Purpose of Report:** To report the proposed programme of Internal Audit work for the coming year.

**Officer**

**Recommendation(s):** It be **RESOLVED**: That the Internal Audit Plan 2021/22 be approved.

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### Introduction

1. The Accounts and Audit Regulations 2015 require the Council to “undertake an effective Internal Audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The proper practice for the Internal Audit Service is laid down in the Public Sector Internal Audit Standards (hereafter referred to as “the Standards”).
2. These standards are met by establishing a risk-based plan to determine the priorities of the Internal Audit Service, consistent with the Council’s goals. This plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. It must also incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter.
3. The Audit Manager is required to communicate the plan and resource requirements, including significant interim changes, to senior management and the Audit and Standards Committee for review and approval. In order to approve the Internal Audit Plan for 2021/22, Members must first be satisfied that it meets the above requirements.

### Overview of Audit Planning Process

4. The preparation of the Audit Plan is a three-step process:

Step	Process	Description
1	Review the Assurance Map	Update the existing assurance map to identify any gaps in assurance requiring review.
2	Risk assessment	A list of all auditable activities is maintained by the Audit Manager and each area is risk assessed and scored by him based on multiple criteria such as the volume and value of transactions, the results of previous audits, system complexity, strategic importance, and the frequency of change.

		This list is updated throughout the year as new audits are completed and information on new or emerging risks become known. The latest position is reviewed in February each year for audit planning purposes.
3	Draft the Audit Plan	The work plan for the coming year is then compiled. The audits already scheduled to take place in the three-year Strategic Audit Plan are used as a starting point. The plan is then modified where necessary to reflect the results of Steps 1 and 2 and available staff resources.

### Assurance Map

5. The Standards require that the Audit Manager considers other sources of assurance as part of the planning process. An 'assurance map' has therefore been developed to assess the level of assurance provided.
6. An assurance map provides a visual representation of the various sources of assurance received by an organisation on its management of strategic risks. Its purpose is to assist our understanding of the assurance received, to evaluate its adequacy and to highlight any potential gaps in coverage.
7. To produce an assurance map for this Council, the main sources of assurance were first grouped based on the 'three lines (of defence) model' shown below.

First Line	Second Line	Third Line
<p><b>Functions that own and manage risk.</b></p> <p><i>The business operations which contribute to internal control and the day to day management of risk.</i></p>	<p><b>Functions that oversee or specialise in risk management compliance.</b></p> <p><i>Oversight functions include the Corporate Management Team and individual committees which set directions, define policy and provide assurance.</i></p>	<p><b>Functions that provide independent and objective assurance, and advice on all matters related to the achievement of objectives.</b></p> <p><i>These functions include Internal Audit, External Audit, and any other scrutiny or regulatory body that offer independent challenge to the levels of assurance provided by business operations and oversight functions.</i></p>

8. The effectiveness of each type of assurance across a number of key services and processes is then assessed and scored, and a traffic light system is used to indicate the level of assurance obtained. Any significant gaps in assurance would be highlighted in red but there are none on this occasion.

9. The assurance map was last reported to this Committee in May 2020. This document has now been updated and the current position (as at February 2021) is shown in Appendix A. Our assessment methodology is set out in Appendix B.
10. The results of this exercise have been used to inform the preparation of the Audit Plan for 2021/22, with at least one audit planned in each of the medium risk areas.

### **Risk Assessment**

11. A risk assessment exercise was carried out by the Audit Manager in February 2021 and includes all new and emerging risks identified through discussions with the Chief Executive and Heads of Service.
12. All activities assessed to be high risk are included in the new audit plan except where they have been recently reviewed. All medium risk activities are generally reviewed over a three year period. Low risk activities are ignored to make the best use of audit resources.

### **Audit Plan 2021/22**

13. The Audit Plan sets out Internal Audit's work programme to obtain assurance on the Council's control environment. The Audit Plan for 2021/22 is attached in Appendix C.
14. The plan represents the third year of operation of a three-year Strategic Audit Plan which was approved by Members in March 2019. In normal circumstances, the work schedule for Year 3 of the Strategic Audit Plan (2021/22) would form the basis for the new plan albeit updated where necessary to reflect the results of the assurance map and latest risk assessment exercise carried out by the Audit Manager. However, many of the audits originally scheduled to take place in 2020/21 had to be postponed because of the COVID-19 pandemic meaning that there is a backlog of audits to be completed. Some of these audits have therefore had to be rescheduled to take place in 2022/23 and beyond.
15. Other considerations when scheduling audit work for the coming year include:
  - parts of the Council are still heavily impacted by the pandemic meaning that it would not be practical or fair to review certain activities in those areas until the situation improves; and
  - the need to avoid, where possible, over-auditing the managers responsible for multiple areas of audit interest, especially given the backlog of work.
16. Having taken these points into consideration, it is hoped that the Audit Plan for 2021/22 can be delivered as stated. Nevertheless, it is possible that the Audit Manager may need to substitute some audits with other work during the year if it subsequently transpires that they cannot proceed. Members will however be kept informed should this occur.
17. The plan has been compiled by the Audit Manager in accordance with the Internal Audit Charter 2020. The Chief Executive and Heads of Service have all

been consulted about its contents and the final version detailed in this report is supported by the Corporate Management Team.

18. The plan allows for 534 days of audit work on 23 separate audit reviews/ consultancy activities, plus provisions for counter fraud work. It is important that the plan includes a broad range of activities as this allows the Audit Manager to obtain sufficient assurance from the audit work to enable him to present an annual Internal Audit opinion on the adequacy of the control environment.
19. As in previous years, a significant portion of the plan will be spent on the annual Governance Audits. These audits are reviewed each year as failures in these areas could have a negative impact on the External Auditor's overall opinion of the Council's financial statements.
20. The remainder of the plan has been compiled as outlined above.

### **Resources**

21. Best practice dictates that the plan should meet the audit needs of the organisation, regardless of the level of resources available to deliver it. If the days required exceed the days available, then it is for senior management to decide whether additional resources should be made available or whether they are content to accept the risks involved of not carrying out some of the reviews, and state which reviews should be omitted.
22. As already explained above, there is currently a backlog of audits. This means that there would be insufficient audit resources to complete all of this work in the coming year even if management were able to accommodate this. A number of the outstanding audits have therefore had to be rescheduled for later years. This approach is supported by the Corporate Management Team.
23. The resources available for the work planned in 2021/22 are shown in Appendix D. From this it can be seen that it will be possible to meet the total resource requirement of the amended plan using existing resources.

### **Reporting Arrangements**

24. Progress against the plan will be monitored by the Audit Manager and reported to the Audit and Standards Committee once a quarter. The content of the plan will also be kept under review by the Audit Manager in liaison with the Corporate Management Team and adjusted if required, to ensure that it continues to reflect the Council's needs and priorities.

### **Conclusion**

25. The Audit Plan needs to provide sufficient coverage to meet the Council's statutory duty. The three-year Strategic Audit Plan and the annual Audit Plan aim to meet this requirement by optimising the effectiveness of Internal Audit so as to contribute to the achievement of sound governance. These plans have had to be modified in light of the COVID-19 pandemic, but the Audit Plan for 2021/22 still provides good coverage of a broad range of activities.

26. The Audit and Standards Committee should note the report, approve the Audit Plan for 2021/22 and make any comments considered appropriate to their governance role.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	<a href="mailto:gary.angell@rother.gov.uk">gary.angell@rother.gov.uk</a>

Appendices:	A – Rother Assurance Map (February 2021) B – Rother Assurance Map – Methodology C – Audit Plan 2021/22 D – Resources for the Audit Plan 2021/22
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Relevant Previous Minutes:	AS18/36 Internal Audit Strategy And Plan 2019/20 To 2021/22 AS19/49 Internal Audit Plan 2020/21 AS20/38 Internal Audit Plan Update
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Background Papers:	None.
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Reference Documents:	None.
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Service or Process	First Line Functions that own and manage risk				Second Line Functions that oversee or specialise in risk management compliance			Third Line Functions that provide independent and objective assurance, and advice			Gap Analysis - Cumulative Points	Internal Audit - Assurance Gap Risk Analysis
	Management self assessments	Key Performance Indicators	Complaints Reporting	Strategy/Policy In Place	Corporate Management Team	Risk Management	Reporting to Members	Internal Audit	External Audit	Third party assurance/advice		
Asset Management	3	3	0		0	0	0	3			9	Medium
Contract Compliance	3	3	0		0	0	0	3			9	Medium
Data Protection	3		0	3	0	0		3			9	Medium
Environmental Services	0		0	0	0	0	0	0			0	Low
Financial Services	3		0	0	0	0	0	3	0		6	Low
Health and Safety	3		0	0	0	0		3		0	6	Low
Housing	0	3	3	0	0	0	0	0			6	Low
Human Resources & Payroll	0		0	3	0	0		0			3	Low
ICT Security	0		0	3	0	0		0			3	Low
Planning	0	3	3	0	0	0	0	0			6	Low
Procurement	3		0	0	0	0	0	3			6	Low
Property Investment	3		0	0	0	0	0	3		0	6	Low
Revenues & Benefits	3		0	0	0	0	0	3	0		6	Low
Risk Management	3		0	0	0		0	3			6	Low
Treasury Management	0		0	0	0	0	0	0	0	0	0	Low

Processes Assurance Key and Scoring	
Good Assurance	0
Moderate Assurance	3
Inadequate Assurance	5
Not Applicable	

Assurance Gap Risk Analysis Key	
Low Risk (0-6)	Low
Medium Risk (7-12)	Medium
High Risk (13+)	High



## Rother Assurance Map – Methodology

### **Services or Processes**

A new area, Health and Safety, has been added this year in light of the COVID-19 pandemic.

### **First Line (of Defence)**

#### Management Self-Assessments

Ideally an exercise should be carried out by management to determine the levels of assurance they consider to be in place for the services/processes under their control. This should be based on their opinion of the quality of internal controls, the quality of operational management, the experience and knowledge of staff etc. However, in order to complete this section of the map we have mirrored the Internal Audit assurance ratings. We have done this on the basis that management agree the Internal Audit reports and have an opportunity to challenge areas where they disagree. On the whole, Internal Audit reports are accepted by management (certainly at Head of Service level) without dispute.

#### Key Performance Indicators

The Council has a number of Key Performance Indicators (KPIs) that are reported to Members at the Overview and Scrutiny Committee. However, these do not cover all the services/processes identified in the assurance map, and only four areas have relevant KPIs, namely; Asset Management (i.e. Asset Income KPI), Contract Compliance (i.e. Waste & Recycling, Car Park Income, and Garden Waste Income KPIs), Housing (i.e. Housing and Homelessness KPIs), and Planning (i.e. Planning Income KPI).

The Performance Report for the Second Quarter 2020/21 submitted to the committee in November 2020 was examined. This showed that performance has been adversely affected by the COVID-19 pandemic across all four of these areas, with all KPIs behind target. The assurance level in all these areas is therefore rated as “amber”.

#### Complaints Reporting

Details of all official complaints received by the Customer Services team between 1<sup>st</sup> January 2020 and 31<sup>st</sup> December 2020 were reviewed. A total of 286 complaints were received in this period but the vast majority were resolved.

Only three complaints were upheld. These were made up of two Stage 1 complaints (Customer Services and Strategy & Planning), and one Stage 2 complaint (Housing & Community). Housing and Planning are therefore rated as “amber”, but Customer Services is excluded as it is not an area that is currently covered by the Assurance Map.

#### Strategy/Policy in Place

Any services/processes where an up-to-date strategy or policy is in place are rated “green”. Strategies and policies which are overdue a review are rated “amber”.

## ***Second Line (of Defence)***

### Corporate Management Team

The level of assurance in this section is based on the amount of senior management oversight and awareness of current issues in the listed areas. The scores shown were shared with Heads of Service and agreed by the Chief Executive.

It is noted that a new Joint Safety Committee has now been convened which provides assurance to the Corporate Management Team on Health & Safety matters.

### Risk Management

The Corporate Risk Register was reported to the Audit and Standards Committee in May 2020 and again in September 2020 (with an accompanying report also covering the issues arising from the pandemic). A separate Brexit risk register was also produced and reported to the same committee in March 2019 and September 2019.

The latest Corporate Risk Register was reviewed to ascertain what risks have been identified and addressed.

Asset Management, Environmental Services, Planning, and Revenues & Benefits are only covered in the broadest sense by the risks “Significant loss of staff due to pandemic”, “Failure of a significant system supplier”, “Buildings unavailable due to incident/accident”, “Loss of staff and recruitment”, and possibly “Significant Legal case against Council”. However, most Heads of Service have documented their COVID-19 risks.

### Reporting to Members

All service/processes which are regularly reported to Members are rated “green”.

## ***Third Line (of Defence)***

### Internal Audit

Assurance ratings are based on Internal Audit findings on engagements carried out in the last two years. Any services/processes where there has been at least one minimal overall audit assurance rating, or two limited audit assurance ratings are marked as “red”. Any services/processes which have had one limited audit assurance rating are marked as “amber”. Services/processes where all audits undertaken in the last two years have had a good or substantial audit assurance rating are marked as “green”.

There are four services/processes where no routine audit engagements have been completed in the last two years, namely Asset Management, Data Protection, Procurement, and Risk Management. As only moderate assurance can be given in these areas, they have been marked as “amber”. Similarly, Health & Safety is yet to be reviewed by Internal Audit, so this is also marked as “amber” for the purposes of this exercise.

### External Audit

The External Auditors give assurance on the final accounts and the Housing Benefit subsidy claims. As no significant issues have been reported in recent years, all relevant services/processes have been marked as “green”.

### Third Party Assurance/Advice

Only three areas were identified where this is applicable – Health and Safety, Property Investment and Treasury Management.

Health and Safety – The Health and Safety Executive (HSE) carry out spot checks and no issues have been highlighted in the past 12 months. The Council also uses an external company that is registered with the Institution of Occupational Safety and Health (IOSH) for advice and training.

Property Investment – Professional and legal advice is obtained regarding the acquisition of land and property.

Treasury Management – Link Asset Services provide advice on Treasury Management issues.

## ***Scoring System and Analysis***

### Processes Assurance Key and Scoring

This is set out in the yellow box at the bottom of the assurance map. Points are awarded based on whether the assurance function provides good, moderate or inadequate assurance. These scores enable us to quantify the level of assurance received and identify those areas of higher risk where control may need to be improved.

### Gap Analysis – Cumulative Points

This column records the cumulate scores after all sources of assurance have been taken into consideration.

### Internal Audit - Assurance Gap Risk Analysis

This column is aimed at prioritising areas for future Internal Audit assurance and consultancy exercises.

The Gap Analysis scores are banded into three assurance categories; low, medium and high risk in accordance with the parameters shown in the blue box at the bottom of the assurance map.

## AUDIT PLAN 2021/22

<b>GOVERNANCE AUDITS</b>	<b>DAYS</b>
Benefits	25
Business Rates	20
Council Tax	25
Creditors	25
Debtors	15
ICT Governance	15
Main Accounting	10
Payroll	25
Treasury Management	20
<b>TOTAL</b>	<b>180</b>

<b>HIGH &amp; MEDIUM RISK AUDITS</b>	<b>DAYS</b>
BACS/BACSTEL-IP Computer System	8
Data Protection	10
Estates Income	25
Grounds Maintenance Contract – Client Control	15
Housing Temporary Accommodation	15
Income Management	15
Land Charges	10
Pollution Control	8
Value Added Tax (VAT)	15
Waste Contract - RDC Client Control	10
Works Contracts	15
<b>TOTAL</b>	<b>146</b>

<b>CONSULTANCY WORK</b>	<b>DAYS</b>
ERP System - Implementation/Ongoing Advice	10
Legal Services VFM	10
New Initiatives - Audit Advice	20
<b>TOTAL</b>	<b>40</b>

<b>COUNTER FRAUD WORK</b>	<b>DAYS</b>
Fraud Analysis & Referrals	60
NFI Coordination & Review	15
<b>TOTAL</b>	<b>75</b>

**AUDIT PLAN 2021/22 (Continued)**

<b>OTHER WORK</b>	<b>DAYS</b>
2020/21 Audit Plan Overruns	8
Audit Advice/Special Investigations	50
Committee Representation and Training	20
Liaison with External Audit	5
Recommendation Follow Up	10
<b>TOTAL</b>	<b>93</b>

<b>TOTAL CHARGEABLE DAYS</b>	<b>534</b>
<b>NUMBER OF AUDITS AND CONSULTANCY WORK</b>	<b>23</b>

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## RESOURCES FOR THE AUDIT PLAN 2021/22

	TOTALS	Audit Manager	Senior Auditor	Internal Auditor
<b>AUDIT TEAM</b>		<b>G. Angell</b>	<b>S. Akehurst</b>	<b>S. Thomas</b>
<b>FTE POSTS</b>	<b>3.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>DAYS AVAILABLE</b>	<b>783</b>	<b>261</b>	<b>261</b>	<b>261</b>
<b>PLANNED AUDIT WORK</b>	<b>Days</b>			
Governance Audits	180			
High & Medium Risk Audits	146			
Consultancy Work	40			
Counter Fraud Work	75			
Other Work	93			
<b>TOTAL CHARGEABLE DAYS</b>	<b>534</b>			
<b>NON-CHARGEABLE TIME</b>	<b>Days</b>			
Supervision & Management	50	40	10	0
Team Meetings	18	6	6	6
Seminars & Training	9	2	2	5
Planning & Business Development	10	10	0	0
Performance Appraisals	4	2	1	1
Annual Leave (Inc. Days Carried Over)	111	38	47	26
Public Holidays	24	8	8	8
Sickness	12	4	4	4
Maternity/Paternity Leave	0	0	0	0
Vacancies/Recruitment	0	0	0	0
Non-Audit Work - Elections	6	1	2	3
Non-Audit Work - Government Returns	5	0	0	5
<b>TOTAL NON-CHARGEABLE DAYS</b>	<b>249</b>	<b>111</b>	<b>80</b>	<b>58</b>
<b>TOTAL RESOURCE REQUIREMENT</b>	<b>783</b>			
<b>TOTAL AVAILABLE DAYS</b>	<b>783</b>			

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## Rother District Council

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	22 March 2021
<b>Title:</b>	Review of Internal Audit 2020/21
<b>Report of:</b>	Gary Angell, Audit Manager
<b>Purpose of Report: Officer</b>	To report on the effectiveness of the Internal Audit Service.
<b>Recommendation(s):</b>	It be <b>RESOLVED:</b> That the Review of Internal Audit 2020/21 be approved.

---

### Introduction

1. The Council's Internal Audit Service is operated in accordance with the Public Sector Internal Audit Standards. These Standards require the Audit Manager to undertake periodic self-assessments of the effectiveness of Internal Audit, but they do not specify how frequently these reviews should take place. The Audit Manager considers it beneficial for annual reviews to be carried out, and for Members to receive the findings, prior to 31 March each year so that reliance can be placed on the effectiveness of Internal Audit when reviewing the Annual Governance Statement.

### Quality Assurance and Improvement Programme

2. The Public Sector Internal Audit Standards (hereafter referred to as 'the Standards') aim to achieve consistent industry standards for Internal Audit. The Standards also require the Audit Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit activity. This includes both internal and external assessments.
3. Periodic internal assessments are necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and Attribute and Performance Standards. The Audit Manager therefore carries out an annual self-assessment review of the Internal Audit function in order to meet this requirement and uses a comprehensive checklist to ensure that all aspects of the Standards are covered. Given the length of this document, the results of the review have been summarised for this report, but the detailed checklist is also available to view upon request. The Summary Compliance Checklist can be found in Appendix A.
4. Internal Auditors are expected to comply with the Standards as far as possible and where compliance is not possible, to explain why. The level of compliance with each aspect of the Standards is indicated in the checklist by a tick in the

relevant column; **Y** (Yes - Compliant), **P** (Partial Compliance) or **N** (Not Compliant). Where an item on the checklist is not compliant or only partially compliant, there is an explanatory comment and corresponding item in the Action Plan for 2021/22 (shown in Appendix B) except where otherwise stated.

5. This year’s review highlights three new issues where action is required. However, all of these issues are a direct result of the disruption caused by the COVID-19 pandemic and two have already been addressed.
6. In addition to periodic self-assessment, the Standards also require an external (peer) review to be carried out at least once every five years. The last peer review was conducted by the Chief Internal Auditors at Arun and Horsham District Councils and was completed in 2017/18. The results were reported to the Audit and Standards Committee on 26 June 2017 (Minute AS17/14 refers). No significant issues were found, and the Assessment Team concluded that “the Internal Audit Service of Rother District Council generally conforms with the Public Sector Internal Audit Standards (PSIAS) and general good practice for the profession”.
7. Any material non-compliance with the Standards would need to be highlighted in the Annual Governance Statement but no such issues were found.

## Conclusion

8. In summary, the latest internal assessment has only identified a few minor issues which are easily resolved.
9. The results of this assessment, and the earlier peer review, therefore demonstrate the Internal Audit Service continues to achieve a good level of compliance with the Standards and none of the areas of non or partial compliance are significant in nature. On this basis, the Audit Manager concludes that **there is a high level of effectiveness overall**.
10. The Section 151 Officer and Monitoring Officer support the conclusion.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	<a href="mailto:gary.angell@rother.gov.uk">gary.angell@rother.gov.uk</a>
Appendices:	A – QAIP Summary Compliance Checklist 2020/21 B – QAIP Action Plan for 2020/21
Relevant Previous Minutes:	AS17/14 – Internal Audit - Peer Review AS19/49 – Review of Internal Audit 2020/21

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Background Papers:    Review of Internal Audit 2020/21 (Full Checklist) – copy available on request.

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Reference Documents:    None.

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## Quality Assurance and Improvement Programme – Summary Compliance Checklist 2020/21

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
<b>1.0</b>	<b>Definition of Internal Auditing</b>				
1.1	Using evidence gained from assessing conformance with other Standards, is the Internal Audit activity: a) Independent?	✓			
	b) Objective?	✓			
1.2	Using evidence gained from assessing conformance with other Standards, does the Internal Audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			
<b>2.0</b>	<b>Code of Ethics</b>				
2.1	<b>Integrity</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors: a) Perform their work with honesty, diligence and responsibility?	✓			
	b) Observe the law and make disclosures expected by the law and the profession?	✓			
	c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of Internal Auditing or to the organisation?	✓			
	d) Respect and contribute to the legitimate and ethical objectives of the organisation?	✓			
2.2	<b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors display objectivity by not: a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	✓			
	b) Accepting anything that may impair or be presumed to impair their professional judgement?	✓			
	c) Disclosing all material facts known to them that, if not disclosed, may distort	✓			

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
	the reporting of activities under review?				
2.3	<b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors display confidentiality by:				
	a) Acting prudently when using information acquired in the course of their duties and protecting information?	✓			
	b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	✓			
2.4	<b>Competency</b> Using evidence gained from assessing conformance with other Standards, do Internal Auditors display competency by:				
	a) Only carrying out services for which they have the necessary knowledge, skills and experience?	✓			
	b) Performing services in accordance with the Standards?	✓			
	c) Continually improving their proficiency and effectiveness and quality of their services, for example through Continuing Professional Development schemes?	✓			
	<b>Standards</b>				
<b>3.0</b>	<b>Attribute Standards</b>				
<b>3.1</b>	<b>1000 Purpose, Authority and Responsibility</b>	✓			
3.1.1	1010 Recognising Mandatory Guidance in the Internal Audit Charter	✓			
<b>3.2</b>	<b>1100 Independence and Objectivity</b>	✓			
3.2.1	1110 Organisational Independence	✓			
3.2.2	1111 Direct Interaction with the Board	✓			
3.2.3	1112 Chief Audit Executive Roles Beyond Internal Auditing	✓			Not applicable at present.
3.2.4	1120 Individual Objectivity	✓			
3.2.5	1130 Impairment to Independence or Objectivity	✓			This situation has not arisen in 2020/21.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>	✓			

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
3.3.1	1210 Proficiency	✓			
3.3.2	1220 Due Professional Care	✓			
3.3.3	1230 Continuing Professional Development	✓			
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme (QAIP)</b>	✓			
3.4.1	1310 Requirements of the Quality Assurance and Improvement Programme	✓			
3.4.2	1311 Internal Assessments		✓		The use of QA questionnaires to obtain feedback from managers and Heads of Service was discontinued in 2020/21 due to the limited scope of many of the audits carried out during the COVID-19 pandemic.
3.4.3	1312 External Assessments	✓			Peer Review – Completed April 2017
3.4.4	1320 Reporting on the Quality Assurance and Improvement Programme	✓			
3.4.5	1321 Use of “Conforms with the Public Sector Internal Audit Standards”	✓			
3.4.6	1322 Disclosure of Non-conformance	✓			This situation has not arisen in 2020/21.
<b>4.0</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>	✓			
4.1.1	2010 Planning		✓		The unprecedented nature of the COVID-19 pandemic in 2020/21 necessitated a radical change of approach when it became clear that the original work plan was undeliverable.
4.1.2	2020 Communication and Approval	✓			The new audit approach for 2020/21 was approved by the Audit and Standards Committee in June 2020 (Minute AS20/09).
4.1.3	2030 Resource Management	✓			
4.1.4	2040 Policies and Procedures	✓			
4.1.5	2050 Coordination	✓			
4.1.6	2060 Reporting to Senior Management and the Board	✓			

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
4.1.7	2070 External Service Provider and Organisational Responsibility for Internal Auditing	-	-	-	N/A - Service provided by in-house team.
<b>4.2</b>	<b>2100 Nature of Work</b>	✓			
4.2.1	2110 Governance		✓		Internal Audit has never specifically evaluated the design, implementation and effectiveness of the Council's ethics-related objectives, programmes and activities but any significant governance issues would be highlighted in other audit work. No further action is therefore required
4.2.2	2120 Risk Management	✓			
4.2.3	2130 Control	✓			
<b>4.3</b>	<b>2200 Engagement Planning</b>	✓			
4.3.1	2201 Planning Considerations	✓			
4.3.2	2210 Engagement Objectives	✓			
4.3.3	2220 Engagement Scope	✓			
4.3.4	2230 Engagement Resource Allocation			✓	Owing to the difficulty experienced in formulating a revised work plan in the midst of the COVID-19 pandemic, it was not possible to properly quantify the audit resource needs for 2020/21. It therefore had to be assumed that the existing staff resources would be sufficient. This issue has since been addressed in preparation for the 2021/22 Audit Plan.
4.3.5	2240 Engagement Work Programme	✓			
<b>4.4</b>	<b>2300 Performing the Engagement</b>	✓			
4.4.1	2310 Identifying Information	✓			
4.4.2	2320 Analysis and Evaluation	✓			
4.4.3	2330 Documenting Information	✓			
4.4.4	2340 Engagement Supervision	✓			
<b>4.5</b>	<b>2400 Communicating Results</b>	✓			
4.5.1	2410 Criteria for Communicating	✓			
4.5.2	2420 Quality of Communications	✓			

Ref	Public Sector Internal Audit Standards Compliance Check	Y	P	N	Comments
4.5.3	2421 Errors and Omissions	✓			
4.5.4	2430 Use of "Conducted in Conformance with the Public Sector Internal Audit Standards"	✓			Conformance with the Standards is not something that is stated in individual audit reports but overall conformance with the Standards is confirmed each year in the Audit Manager's annual report.
4.5.5	2431 Engagement Disclosure of Non-conformance	✓			
4.5.6	2440 Disseminating Results	✓			
4.5.7	2450 Overall Opinion	✓			
<b>4.6</b>	<b>2500 Monitoring Progress</b>	✓			
<b>4.7</b>	<b>2600 Communicating Results</b>	✓			

**Key to level of compliance: Y (Yes - Compliant), P (Partial Compliance) or N (Not Compliant)**



## Quality Assurance and Improvement Programme – Action Plan for 2021/22

Reference	Standard	Action	Officer responsible for delivery	Due date
3.4.2	1311 Internal Assessments	Re-introduce QA questionnaires in 2021/22 to obtain stakeholder feedback on the quality of the audit work performed.	Audit Manager	30 September 2021
4.1.1	2010 Planning	Produce a risk-based plan that is sufficiently flexible to reflect the changing risks and priorities of the Council.	Audit Manager	Already complete <i>See report on Internal Audit Plan 2021/22</i>
4.3.4	2230 Engagement Resource Allocation	Quantify the audit resources needed for 2021/22 as part of the audit planning process.	Audit Manager	Already complete <i>See report on Internal Audit Plan 2021/22</i>

Note – There was no action plan for 2020/21 as no issues were identified.

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## Rother District Council

<b>Report to:</b>	Audit and Standards
<b>Date:</b>	22 March 2021
<b>Title:</b>	Treasury Management Update
<b>Report of:</b>	Antony Baden – Finance Manager
<b>Purpose of Report:</b>	To note the Council's treasury activities for the third financial quarter ending the 31 December 2020
<b>Officer Recommendation(s):</b>	It be <b>RESOLVED</b> : That the report be noted

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### Introduction

1. Cabinet approved the Council's Investment Strategy for 2020/21 on 10 February 2020 (Minute cb19/93 refers). The strategy requires regular reports to be presented to this Committee on the Council's treasury management activities. In managing these activities, the Council follows the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. This report implements best practice in accordance with the Code. Members are also reminded that investment activity is reported through the Members' Bulletin.
2. This report focuses on the financial period ending on 31 December 2020.

### Financial Investments review

3. The Council continues to hold investments in call accounts with the major financial UK institutions and investments totalling £8 million in Property Funds.
4. The Council's investment policy is governed by the Ministry of Housing, Communities and Local Governments' investment guidance, which has been implemented in the approved annual investment strategy. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties.
5. As at 31 December 2020 the Council's total investments were £41.272m. It has £11.869m of borrowing and the Capital Financing requirement is forecast to be £22.944m by 31 March 2021.
6. The total income from investments is currently forecast at £340,000, which is £38,000 higher than the previous forecast. The largest returns are from the Council's property funds, which are currently delivering an average rate of return of between 3.86% and 4.20% on investments.
7. As at 31 December 2020 the Council held £33.3 million in its General account including Government funding for individuals and businesses in response to the

pandemic. It is expected that any unspent balance will have to be returned so it cannot be invested externally.

8. The General Account funds also need to be kept available for other large payments such as Council Tax and Business Rates payments to preceptors and capital project expenditure.
9. The table below shows that interest rates for call deposit accounts from main banks are zero or near zero so it is sensible to have the General Account funds readily available for the reasons explained in paragraphs 7 and 8. The investment portfolio as at 31 December 2020 is shown in the table below: -

Deposit	Type of account	Maturity Date	Amount £	Interest Rate	Share %
Lloyds - General (RFB)	Call	N/A	33,269,136	0.00%	80.61%
Bank of Scotland (RFB)	Call	N/A	11	0.00%	0.00%
Barclays - Call Account (NRFB)	Call	N/A	1,066	0.05%	0.00%
Santander - 31 Day Notice Account	31 Days Notice	N/A	1,658	0.27%	0.00%
CCLA Local Authority Property Fund	Long Term	N/A	5,000,000	3.86%	12.11%
HERMES Property Fund	Long Term	N/A	2,999,998	3.47%	7.27%
<b>Total</b>			<b>41,271,869</b>		<b>100.00%</b>
Total managed in-house			33,271,872		
Total managed externally			7,999,998		
<b>Total Treasury Investments</b>			<b>41,271,869</b>		

10. The Council's property funds continue to provide a sustainable return on investment as mentioned in paragraph 6. During the financial year their market values had been adversely impacted by the Coronavirus pandemic, however Members will note that their current values in the table below show a modest recovery of £75,236 since the Quarter 2 report:

Name of Property Fund	Original Investment Value	Value as at 30th Sept 2020	Value as at 31st Dec 2020	Change
	£	£	£	£
CCLA Local Authority Property Fund	5,000,000	4,581,628	4,647,469	65,841
HERMES Property Fund	2,999,998	2,730,939	2,740,334	9,395
<b>Total</b>	<b>7,999,998</b>	<b>7,312,567</b>	<b>7,387,803</b>	<b>75,236</b>

11. Although the overall values have begun to recover the future is still very uncertain although the markets have reacted positively to the vaccine rollout and it is possible that this will continue.

## Borrowing

12. The Council's underlying need to borrow is termed the Capital Financing Requirement (CFR). The Council manages this by organising its cash position to

ensure that enough cash is available to meet its capital plans and day to day cash flow requirements, in the cheapest and most efficient way.

13. Although the Council is planning to significantly increase its capital investment programme the pandemic has had a major impact on the pace of planned spend. This is reflected in the revised Capital Programme for 2020/21 and is summarised in the following table:

	<b>2020/21 Original Budget £ (000)</b>	<b>2020/21 Estimated Outturn £ (000)</b>
<b>Capital Expenditure</b>	<b>19,510</b>	<b>13,519</b>
<b>Financing:</b>		
Capital Receipts	1,240	1,085
Grants and Contributions	4,262	3,907
Borrowing	12,649	7,316
Capital Expenditure Charged to Revenue	1,359	1,211
<b>Total Funding</b>	<b>19,510</b>	<b>13,519</b>

14. The Council's CFR is not allowed to rise indefinitely so it is reduced by a statutory annual revenue charge, called the Minimum Revenue Provision (MRP), which is effectively a repayment of borrowing. The capital programme is expected to incur new borrowing in 2020/21 of £7.316m but the MRP charge will be slightly lower than originally budgeted because it is not charged in the first year of borrowing. The change in the CFR is shown in the following table:

<b>Capital Financing Requirement</b>	<b>2020/21 Original Budget £ (000)</b>	<b>2020/21 Estimated Outturn £ (000)</b>
Opening Balance	15,788	15,788
Add unfinanced capital expenditure	12,649	7,316
Less Minimum Revenue Provision (MRP)	(242)	(160)
<b>Closing Balance</b>	<b>28,833</b>	<b>22,944</b>

15. The Council's borrowing position as at 31 December 2020 has changed from the previous quarter to reflect further loan principal repayments and is shown in the following table:

<b>Borrowing position as at the 31st December 2020</b>					
<b>PWLB Ref:</b>	<b>Amount o/s</b>	<b>Interest Rate</b>	<b>Term</b>	<b>Type</b>	<b>Full Year Repayments</b>
507499	£438,590	2.59%	50	Annuity	£16,102
507503	£438,558	2.58%	50	Annuity	£16,070
509130	£1,623,747	2.39%	50	Annuity	£56,729
509131	£1,000,000	2.24%	50	Maturity	£22,400
509165	£8,368,222	2.48%	50	Annuity	£297,572
<b>Total Borrowing</b>	<b>£11,869,117</b>				<b>£408,873</b>

16. The Council's borrowing activity is controlled by prudential indicators that form part of the approved Treasury Management Strategy. The Operational boundary is the maximum expected borrowing position whilst the Authorised limit allows for some headroom in case of unusual/unexpected cash outflows. Members will recall that Cabinet approved an increase to both limits on 2 November 2020 in response to an anticipated increase in capital project expenditure. The table below shows the new borrowing limits and gross external debt level as at 31 December 2020.

<b>Treasury Indicators</b>	<b>30<sup>th</sup> Dec 2020 £ (000)</b>
Authorised Limit for External Debt	66,370
Operational boundary for External Debt	61,370
Gross External Debt (actual)	11,869
<b>Remaining Authorised Limit for External Debt</b>	<b>54,501</b>

17. Since the Quarter 2 report Net Financing Costs as a proportion of the Net Revenue Stream has reduced from an expected 3.57% to 0.84% due to grant income received from the MHCLG in response to the pandemic and the increase in forecast interest income outlined in paragraph 6. The table below compares the current forecast prudential indicators against the original budget.

<b>Prudential Indicators</b>	<b>2020/21 Original Budget £ (000)</b>	<b>2020/21 Estimate Outturn £ (000)</b>
Capital Expenditure Charged to Revenue	1,359	1,211
Capital Financing Requirement (CFR)	28,833	22,944
Annual Change in CFR	12,407	7,156
In-Year Borrowing Requirements	11,927	11,869
Ratio of Financing costs to Net Revenue Stream %	3.62%	0.84%

18. The Council continues to maintain an under-borrowed position, which means the CFR is not fully funded by loan debt but is also managed by using reserves and balances. Returns remain low so this is a prudent strategy that also minimises the counterparty risk associated with placing investments.

### **Non-Treasury Investments**

19. The pandemic has temporarily slowed activity in the Council's Property Investment Strategy (PIS) although expected income from the existing portfolio remains unchanged. This is shown below:

<b>2020/21 Estimated Property Investment Income</b>			
<b>Property</b>	<b>Rental Income</b>	<b>MRP &amp; Interest</b>	<b>Net Income</b>
	<b>£</b>	<b>£</b>	<b>£</b>
14 Terminus Road	106,000	(31,793)	74,207
18-40 Beeching Road	88,080	(28,504)	59,576
16 Beeching Road	97,000	(31,391)	65,609
Glovers House	425,000	(275,458)	149,542
Market Square, Battle	195,000	(110,263)	84,737
<b>Total</b>	<b>911,080</b>	<b>(477,410)</b>	<b>433,670</b>

20. Although the Council has not made any further property purchases, negotiations are continuing with several parties and further acquisitions are expected over the next few months.
21. The budget for rental income from all investment properties is £1,919,840, made up of £1,008,760 for the existing assets and £911,080 for properties purchased through the PIS. Tenants are being pursued for rent arrears but because economic conditions are still difficult the forecast outturn for 2020/21 prudently includes a shortfall of £125,000, which would reduce overall income to £1,794,840 and equates to a gross return of 6.49%. After allowing for borrowing costs the expected return on PIS properties is 2.70%.

### **Economic Update and Outlook**

22. The country is now enduring its third national lockdown although the Government has recently outlined a timeline to lift restrictions. Furthermore, the success of the vaccination rollout programme has buoyed the markets and economic forecasts are more optimistic than when last reported to Committee on 7 December 2020. The Office for Budget Responsibility have downgraded their 2021 Gross Domestic Product growth forecast from 5.5%, to 4% but they also predict a more rapid recovery to 7.3% by mid-2022. They have also forecasted unemployment to peak at 6.5%, which is much lower than the July 2020 forecast of 11.9%.
23. In his budget statement on 3 March 2021, the Chancellor of the Exchequer announced further support to the economy including the following:
- a. Business Rates relief scheme extended to 30 June 2021,
  - b. Extension of the furlough scheme and Universal Credit uplift until 30 September 2021,
  - c. Extension of the stamp duty holiday until 30 June 2021,
  - d. Creation of the UK's first Infrastructure Bank to support regional economic growth as part of the 'levelling up' agenda
24. The Chancellor also set out in his recovery plan including the use of higher taxes by freezing income tax thresholds until 2026 and increasing the main corporation tax rate from 19% to 25% from April 2023 onwards. Perhaps more significantly for local authorities he also announced a cut of £4 billion on public service

expenditure, which could have serious implications for the Council's future financial position.

25. The Bank of England (BoE) base rate remains unchanged at 0.10% although PWLB rates have increased marginally in recent weeks after the Debt Management Office announced a cut of a whole basis point in November 2020. For example, a 50-year repayment loan can currently be obtained at around 1.95%. Despite the small increase borrowing remains an attractive option in both the short and medium term.
26. Global markets have become more settled, particularly since the conclusion of the US presidential election and Brexit negotiations, and the vaccine rollout programme has further galvanised the prospects of economic recovery and growth. However, Members should note that the future remains difficult to predict and future economic trends remain volatile.

## Conclusion

27. The investment activity conforms to the approved strategy and the Council has no liquidity difficulties.
28. The investment environment for treasury activities remains difficult and is likely to remain so for the foreseeable future. Absolute returns are expected to remain low. The diversification into Property Funds increases the overall return but is less liquid and carries greater capital risk than other investments.
29. The Council's PIS is still expected to generate net returns of 2.7% but the risks associated with the long-term commitment to repay borrowing and the operational management of properties will remain.

## Financial Implications

30. As detailed in the report.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Antony Baden
e-mail address:	Antony.Baden@rother.gov.uk
Appendices:	None
Relevant Previous Minutes:	cb19/93
Background Papers:	None
Reference Documents:	None



**Rother District Council**

**Report to:** Audit and Standards

**Date:** 22 March 2021

**Title:** Accounting Policies 2020/21

**Report of:** Antony Baden – Finance Manager

**Purpose of Report:** To present the accounting policies and critical judgements that will be used in the preparation of 2020/21 Statement of Accounts

**Officer**

**Recommendation(s):** It be **RESOLVED**: That the Council's proposed accounting policies to be adopted in completing the 2020/21 Statement of Accounts be approved and the critical judgements noted

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**Introduction**

1. This report presents the accounting policies that will be used in the preparation of 2020/21 Statement of Accounts and summarises any changes from 2019/20 introduced as a result of amendments to the Code of Practice on Local Authority Accounting 2020/21 (the Code) or as part of the Council's annual review process. The report also explains the requirement to include notes on the critical judgements used in the production of the Statement of Accounts which have been presented alongside the accounting policies in line with best practice.

**Accounting Policies**

2. The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts. A copy of the policies can be found at Appendix A.
3. The Code of Practice on Local Authority Accounting for 2020/21 has been reviewed and it introduces no significant changes, compared to the previous year, that need to be implemented. However, the Council, as part of its annual review of policies, has taken the opportunity to make some minor changes to improve the wording and presentation of the policies. In addition, the section on interests in companies has been updated to reflect that the Council has an interest in Alliance Homes (Rother) Ltd.
4. In applying the accounting policies set out in Appendix A the Council will need to make certain judgements about complex transactions or those involving uncertainty about future events. The external auditors (Grant Thornton) are kept informed of any such matters.
5. It is recommended that the proposed accounting policies, to be used to prepare the Council's 2020/21 Statement of Accounts, are approved by the Audit and Standards Committee before the financial statements are prepared.

## Critical Judgements

6. In line with International Financial Reporting Standards (IFRS) and the Code the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Appendix B sets out those critical judgements that management have made.

## Consultation

7. Consultation has taken place with the Council's External Auditors, Grant Thornton UK LLP.

## Conclusion

8. Committee is asked to review and approve the Council's proposed accounting policies, to be adopted in completing the 2020/21 Statement of Accounts and to note the critical judgements.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Antony Baden
e-mail address:	<a href="mailto:Antony.Baden@rother.gov.uk">Antony.Baden@rother.gov.uk</a>
Appendices:	Appendix A – Accounting Policies Appendix B – Critical Judgements
Relevant Previous Minutes:	None
Background Papers: Reference Documents:	None

## Accounting Policies

### ACCOUNTING POLICIES

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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.

#### 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 contracts with service recipients whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract. However, for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- 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 is accounted for as income 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.
- Accruals are made for amounts exceeding £100.

#### 3. Accounting for Council Tax and Non-Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government (for business rates). The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to or from preceptors is held as part of the Short -Term Creditors or Debtors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the

collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement (CI&ES). The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

#### **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 investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. 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.

#### **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. 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.

#### **6. 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 assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

#### **7. Employee Benefits**

##### **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 (e.g. cars) for current employees and

are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES 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. 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.

### **Post-Employment Benefits**

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by East Sussex County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex 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.
- Liabilities are discounted to their value at current prices, using a discount rate of x.x% (TBC at the appropriate time) based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pension liability is analysed into the following components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years

- debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of the Resources service
- net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income 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 to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- remeasurements comprising:
  - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains or 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 East Sussex 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 appropriations to and from the Pensions 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.

### **8. 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.

## **9. Fair Values**

The Council measures some of its non-financial assets (surplus assets and investment properties), and any available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end.
- Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

## **10. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

## Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

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

### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES 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 CI&ES is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CI&ES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CI&ES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CI&ES.

### *Expected Credit Loss Model*

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.



The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Group 3 – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

#### *Financial Assets Measured at Fair Value through Profit or Loss*

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

#### *Financial Assets Measured at Fair Value through Other Comprehensive Income*

Financial assets that are measured at FVOCI 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. Fair value gains and losses are charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services

Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

## **11. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the CI&ES 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 acquired using 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 as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. 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 (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, 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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. The Council has elected to charge a Community Infrastructure Levy (CIL) on new builds with appropriate planning consent. The income from the levy will be used to fund various projects described as “infrastructure” in a broader sense than used for Council property in Note 1.16 below. The infrastructure investment is determined by a panel and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration and is accounted for as income for the Strategy and Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from the CI&ES. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve.

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

## **12. Investment Property**

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

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 revalued 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 CI&ES. The same treatment is applied to gains and losses on disposal.

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.

### **13. 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 that the Council will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software. Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in the CI&ES. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement. The calculated amounts for amortisation and impairment are charged to the Cost of Services in the CI&ES, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

### **14. 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.

All of the Council's leases have been determined to constitute operating leases.

### **The Council as Lessee**

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting 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 as Lessor**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate line in the CI&ES. 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. 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.

## **15. Overheads and Support Services**

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## **16. 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.

### **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 cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.

- Community assets and assets under construction - historic cost.
- Land and buildings - 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 is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 1.9 above, equating to market value for their highest and best use from a market participant’s perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. 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 CI&ES.

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.

The values of Land and Buildings assets individually worth less than £10,000 are recorded, but not included in the balance sheet values.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that the value of 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 CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, 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. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. Useful life is between 7 and 20 years.
- Infrastructure - straight-line allocation over 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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 of Property Assets**

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. Where the Council has revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property using the following major component analysis:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

The Council has also adopted a de minimis level of 10% of the building value or £50,000 to apply componentisation.

### **Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES 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 and are credited to the Capital Receipts Reserve and can then only be used for new capital investment. 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.

## **17. Provisions, Contingent Liabilities and Contingent Assets**

### **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 CI&ES 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.

### **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.

### **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.

## **18. Reserves**

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- **Capital Receipts Reserve:** proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- **Capital Grants Unapplied:** the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- **Earmarked Reserves:** the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the CI&ES. There are no

legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.

- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
  - revalued downwards or impaired and the gains are lost
  - used in the provision of services and the gains are consumed through depreciation, or
  - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long-term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the CI&ES as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the CI&ES, but not to the General Fund.
- Pooled Investment Fund Adjustment Account: this contains the unrealised gains or losses made by the Council arising from increases or decreases in the



value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

#### **19. Revenue Expenditure Funded from Capital under Statute**

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 is charged as expenditure to the relevant service in the CI&ES 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.

#### **20. 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.

#### **21. Interests in Companies and Other Entities**

The Council is 100% shareholder of Alliance Homes (Rother) Ltd. The company was incorporated in October 2020. Group accounts will be prepared where material.

In the Council's own single-entity accounts, its interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

**Critical Judgements****Alliance Homes (Rother) Ltd**

The Council is sole shareholder of Alliance Homes. Since the company's inception in October 2020 costs incurred by Alliance have been small in scale. The Council has determined that group accounts will not be prepared in 2020/21, in addition to its single entity accounts, since the interest is not material to the Council's overall financial position. It is anticipated that group accounts will be prepared for 2021/22.

**Rother District Council**

**Report to:** Audit and Standards Committee

**Date:** 22 March 2021

**Title:** Risk Management Update

**Report of:** Robin Vennard, Assistant Director Resources

**Purpose of Report:** To consider the updated corporate risk register and to discuss the issues and actions detailed in the report.

**Officer**

**Recommendation(s):** **Recommendation to COUNCIL:** That the amended Risk Management Policy at Appendix B be adopted;

AND

It be **RESOLVED:** That:

- 1) the Council's Corporate Risk Register at Appendix A be noted; and
- 2) the Heads of Service be invited to future meetings to review their service risk registers as set out in this report.

**Introduction**

1. This update report for Members covers any major issues in Risk Management affecting the Council during 2020/21. Risk refers to the uncertainty that surrounds future events and outcomes. It is essential that the Council has a strong approach to Risk Management, particularly with the current environment of a global pandemic and ongoing substantial financial pressures.

**COVID – 19 Pandemic**

2. This year continued to be dominated by dealing with the impact of the COVID-19 pandemic in terms of the Council's operations and finances supporting the community and business. As reported to this Committee in September, a number of risk management related issues were identified that will help the Council in responding going forward. Two of those issues identified require further work:
  - a. **Sustainably meeting a long term crisis** – the ongoing nature of the pandemic has shown that the Council's business continuity plans need to be expanded to reflect the changes in how the Council is now working and to reflect the issue of diverting staff resources through government expectation and direction.
  - b. **Supply chains and contractor resilience** – early delivery of ICT equipment to enable home working and continued supplies of the right quality of Personal Protective Equipment were very difficult to secure. Consideration will be given to how supply chain contracts are established in future to better guarantee supply when needed, although it should be

recognised that individually the Council's buying power is unlikely to make a major difference. For the major contracts, business continuity plans were in place to deal with the pandemic effectively, but this has come at a cost to the Council. One additional issue is that where our contractor is a charity, then their financial resilience may be limited, and the Council is likely to have to provide ongoing financial support. This will need to be considered as part of the Council's financial reserve strategy.

3. Members will be aware that since reporting in September, there have been two further national lockdowns due to the pandemic. The measures the Council has put in place meant it was able to maintain services. The Government roadmap gives optimism that the restrictions placed on the country will start to be lifted. However, should this not be achievable, then the delivery of the Council's day to day business could suffer and there will be further costs incurred by the Council. It is not clear at this point, whether even more Government funding will be forthcoming to help support the Council.

### **Corporate Risk Register**

4. The Corporate Risk Register has been updated to reflect the most recent review by Corporate Management Team. There are minimal changes to make Members aware of, save for since the last report a number of risks have been updated to reflect actions and contingencies in place.
5. At present the register shows the likelihood of a further pandemic remaining at its highest level. With the advances in medical science (in particular speed of vaccination development and deployment) and the measures the Council took to ensure full home working capability for staff, it is felt that the impact on service delivery going forward has been mitigated to a significant extent.
6. Further risks added to the register include:
  - a) **Failure to comply with legislation** – the inclusion of this risk in the corporate risk register reflects the financial pressures on the Council where, due to the impact of limited resources, services may struggle to meet their statutory obligations.
  - b) **Delivery of Corporate Plan** – Members will be aware that the new corporate plan is currently out for consultation. There are a number of risks connected to delivery of the plan including having sufficient physical and financial resources. In addition, as some of the commitments go beyond the current administration, then as with any political organisation, there may be a change in policy direction that affects their achievement.

### **Risk Management Policy**

7. The Council maintains a simple overarching Risk Management Policy (Appendix B) which sets out the responsibilities of Members, Corporate Management Team and Heads of Service. This is backed up by the Risk Management Framework which is underpinned by service based risk registers and project based risk registers. This policy has been updated to reflect the current officer structure of the Council.

8. Given the impact of the pandemic on Council services and the recent changes in the Council structure, it is suggested that between June 2021 and September 2022 that this Committee review each of the service risk registers. This will give Members awareness of the key service based risks and the mitigation measures that are in place to prevent or reduce their impact. It is suggested that the reviews are presented in the following order:

Meeting	Service Area	Head of Service
June 2021	Environmental Services	Richard Parker Harding
September 2021	Acquisitions, Transformation and Regeneration	Ben Hook
December 2021	Neighbourhood Services	Deborah Kenneally
March 2022	Resources and Corporate Core	Robin Vennard/ Malcolm Johnston
June 2022	Housing and Community	Joe Powell
September 2022	Strategy and Planning	Tim Hickling

## Conclusion

9. The 2020/21 year has placed significant pressure on the Council to support local people, businesses and still maintain the delivery of services. It has come at a considerable financial cost, not all of which will be underwritten by the Government. The ongoing financial pressure on the Council means that inevitably its acceptance of risk will have to increase, but this needs to be actively managed by both officers and Members. The experience of COVID-19 has shown in a very practical way how the Council can mobilise itself quickly and efficiently to change and expand how it delivers services whilst managing the inherent risks associated with rapid change. This learning needs to be embedded throughout the organisation and the review of service risk registers affords the opportunity for this to happen.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

Report Contact Officer:	Robin Vennard
e-mail address:	<a href="mailto:robin.vennard@rother.gov.uk">robin.vennard@rother.gov.uk</a>
Appendices:	Appendix A – Corporate Risk Register Appendix B – Risk Management Policy
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

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			Likelihood (1,3,5)	Impact (1,3,5)	Rating	Contingency	Comments / Actions	Risk Owner	Likelihood (1,3,5)	Impact (1,3,5)	Residual Rating	September 2020 Residual Rating
1	Major network attack	<ul style="list-style-type: none"> <li>Shut down to counter attack</li> <li>Rebuilding due to successful attack</li> <li>Data / PC loss due to successful attack</li> </ul>	3	5	15	Contract for full range of backup support. Budget arrangements for emergency expenditure. Cheques can still be issued. Training and practical exercise undertaken regularly	Already many IT systems in place to prevent this. ICT have active antivirus and firewalling, including various security posturing. Continue with Essential Maintenance Plan. Disaster recovery contract to be regularly reviewed.	RV	3	3	9	15
2	IT Network failure	<ul style="list-style-type: none"> <li>Loss of network storage</li> <li>No power</li> <li>Loss of communications / internet</li> </ul>	3	5	15	Contract for full range of backup support. Budget arrangements for emergency expenditure. Cheques can still be issued. Move to "cloud" based solutions	Well established back up. ICT BCP covers this risk. Communications link is singular, no possible contingency for link failure due to physical location of BT Hub	RV	3	3	9	15
3	Significant contract falls to RDC	<ul style="list-style-type: none"> <li>Staffing to manage transition</li> <li>Waste, Grounds Maintenance</li> <li>Financial Implications</li> </ul>	3	5	15	Business Contuity Plan, Budget arrangements for managing this. Three authority BCP for Waste Collection contract. Contractor monitoring including financial health	Review legal aspects. Create waste and street sweeping response plan. Consider other response plans. Separate Waste Contract Risk Register (MG). Three authority review needed.	DK	3	5	15	15
4	Data Loss	<ul style="list-style-type: none"> <li>Service failure</li> <li>Financial damage</li> <li>Resources drained</li> </ul>	3	5	15	Back ups are maintained including off line back up systems. Budget arrangements for managing this.	Ensuring sufficient resourcing to enable to bring systems back quickly needs to be considered	RV	3	3	9	15
5	Extreme Weather	<ul style="list-style-type: none"> <li>Loss of frontline services</li> <li>Staff committed to emergency</li> <li>Staff unable to get to work</li> </ul>	3	5	15	Many staff live in Bexhill. Homeworking facilities. Guidance to staff in advance of weather warnings. RDC Emergency Plan. Priority Grid for Service staffing	Some experience here already. Prolonged extreme weather is the issue.	MJ	3	3	9	9
6	National Fuel Shortage	<ul style="list-style-type: none"> <li>Loss of main services</li> <li>Staff committed to emergency</li> <li>Travel problems</li> </ul>	3	5	15	Fuel priority grid including key staff & contractors. Homeworking facilities. Priority Grid for Service staffing .	Communications Plan needed. Recent work on Brexit plans helps inform actions required of RDC.	NR	3	3	9	9
7	Significant loss of staff due to pandemic	<ul style="list-style-type: none"> <li>30%+</li> <li>Flu etc.</li> <li>Across all services</li> <li>Particular note of cover for significant posts</li> </ul>	5	5	25	Contacts with local, national & professional agencies. Homeworking facilities. Immediate medical prevention supplies available. Priority list for staff vaccinations. Priority Grid for Service staffing. Local Authority Duty to Co-operate.	Guidance to staff on precautions, minimise travel of travelling officers, hand cleansers at entrances to Council buildings	RV	5	3	15	9
8	Coastal / River Flooding	<ul style="list-style-type: none"> <li>Major issues with transport</li> <li>Staff diverted to emergency</li> <li>Staff committed to recovery programme</li> </ul>	3	3	9	RDC Emergency Plan Local Authority Duty to Co-operate. Rye Bay Flood Plan. Flood network to cascade information.	More an Emergency plan than BCP issue. Could have an impact on transport. Social media alerts. Communication - PR implicit.	NR	3	3	9	9
9	Failure of a significant system supplier (e.g. Ocella)	<ul style="list-style-type: none"> <li>Service Specific</li> <li>Unit4 Business World, Ocella, Academy, CRM, Whitespace, enterprise, M3</li> <li>Customer Service</li> </ul>	3	3	9	Contingency for simple alternative e.g. Excel ESCROW agreements.	Neighbour council back up system or data transfer. Rights of user software. Contingency for alternatives. Web based systems need checking. System to be replaced if supplier no longer exists. Corporate direction - similar to Link data and voice, encourage use of county wide systems for the future/future purchase, which will reduce risk. ESCROW agreements will reduce impact.	RV	3	3	9	9
10	Significant Legal case against Council	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Financial damage</li> <li>Resources drained</li> </ul>	3	3	9	Early Legal Service plan & advice. Budget arrangements for managing this.	Work to Identify where service failure is in a legal case. Take steps to mitigate.	MJ	3	3	9	9
11	Breach of Data Protection	<ul style="list-style-type: none"> <li>Reputational damage / legal</li> <li>Financial damage</li> <li>Resources drained</li> <li>Leakage / theft</li> </ul>	3	3	9	Regular training for staff Learning from incidents. IT security measures. Data Risk log.	Reputational and significant financial risk under GDPR. Wider issue of Data Protection and consequences of data theft.	RV	3	3	9	9
12	Significant Financial investment loss by Council	<ul style="list-style-type: none"> <li>Banks</li> <li>Staff committed to emergency</li> <li>Loss of income streams or assets</li> </ul>	3	5	15	Management approval of transactions. Compliance with Investment Strategy to spread the risk. Treasury advice. Audit Service.		RV	1	5	5	5
13	Civil Unrest	<ul style="list-style-type: none"> <li>Loss of staff</li> <li>Staff committed to emergency</li> <li>Staff unable to get to work</li> </ul>	1	5	5	Business Continuity Plan enacted	Very unlikely.	NR	1	5	5	5
14	Town Hall Fire / Flood	<ul style="list-style-type: none"> <li>Loss of Accommodation</li> <li>Loss of IT Infrastructure</li> <li>Loss of IT desktops</li> </ul>	1	5	5	Homeworking facilities. Continued facility in Amherst Road. Reciprocal arrangement with neighbours. Local Authority Duty to co-operate	Consider neighbour council back up. Potential damage to infrastructure. Paper files vulnerable. ICT BCP covers this risk.	RV	1	5	5	5
15	Failure of the ESCC Pension Fund	<ul style="list-style-type: none"> <li>Investment Failure</li> <li>Significant shortfall in funds</li> <li>Fraud</li> </ul>	1	5	5	ESCC Investment Panel operating within agreed investment strategy. Fund Managers adherence to their mandate. Ultimately Government Intervention/bailout.	New Governance arrangements brought in by Government in 2015. This adds a further layer of scrutiny over and above the Investment Panel and will examine the operation and performance of the fund.	RV	1	5	5	5

16	Safeguarding Children and Vulnerable Adults	<ul style="list-style-type: none"> <li>Failure to identify child/adult at risk</li> <li>Failure to report to relevant agency when child/adult at risk identified</li> <li>Financial loss through legal compensation</li> </ul>	1	5	5	Staff training delivered and regularly updated. Clear and understood communication channel from officers to lead safeguarding officer. Attendees at MAPPA and MARAC Boards	Action plan in place to ensure robust procedures in place. New safeguarding policy adopted by Council. All relevant new staff receive training. Further training/awareness to be provided to staff over the next 12 months. Procedures in place in Housing Division to ensure where Police have been made aware of location of vulnerable family, this information is updated for any subsequent move.	RPH	1	3	3	5
17	Ongoing impact of Brexit	<ul style="list-style-type: none"> <li>Financial market changes &amp; instability</li> <li>European funding loss</li> <li>Investment uncertainty</li> <li>Service impact for Environmental Services - exports.</li> <li>Supply chain impact, goods tied up in Europe</li> </ul>	5	3	15	Financial advice to manage this as required. See separate detailed analysis of risks and mitigation plan.	Regular reviews of how Brexit affects Rother	MJ	3	3	9	5
18	Major Incident requiring our staff to support it	<ul style="list-style-type: none"> <li>Loss of staff</li> <li>Staff committed to emergency</li> <li>Staff committed to recovery programme</li> </ul>	3	3	9	Business continuity plans, redirection of staff to essential services, Management approval of transactions. Insurance.	Pan East Sussex co-operation, agency staffing contracts	MJ	3	1	3	3
19	Major incident preventing travel	<ul style="list-style-type: none"> <li>Loss of staff for more than one day</li> <li>Major incident blocking transport</li> <li>Major road closure</li> </ul>	1	5	5	Homeworking facilities. Potential to work from other authorities. Service priority grid. Protocol with staff on web message, website can be updated remotely.		NR	1	3	3	3
20	Financial shutdown RDC	<ul style="list-style-type: none"> <li>Bank shutdown</li> <li>Loss of Income stream / assets</li> <li>Build up of backlog</li> </ul>	1	5	5	Rehearsed BCP Action Card with this scenario. Budget arrangements for managing this. Three authority BCP for Waste. Joint working with HBC on finance	Hastings BC are able to provide back up and support so that cheques can be produced. Customer advice and information to be put on website and telephone systems.	RV	1	3	3	3
21	Terrorist Incident impacting RDC	<ul style="list-style-type: none"> <li>Impact on Public</li> <li>Impact on Staff</li> <li>Managing incident and recovery</li> </ul>	1	5	5	Monitoring intelligence. Liaison with Police.	Identify key staff & brief Ability to closely manage access to Council.	NR	1	3	3	3
22	Substantial / prolonged Electricity failure	<ul style="list-style-type: none"> <li>Loss of frontline services &amp; systems</li> <li>Staff committed to emergency</li> <li>Staff unable to get to work</li> </ul>	1	3	3	BCP Action card on loss of premises. Regular inspection and maintenance of electrical supply to Council buildings. Flexible working arrangements. Priority Grid for Service staffing.	Feasibility study on emergency generator provision.	JP	1	3	3	3
23	Buildings unavailable due to incident / accident	<ul style="list-style-type: none"> <li>Loss of accommodation</li> <li>Buildings cordoned</li> <li>Structural Damage</li> </ul>	1	3	3	Homeworking facilities Reciprocal arrangement with neighbours.	Consider neighbour council back up. To give consideration to partners occupying the building. Homeworking, if kit taken home and is safely off site. Another building/area is required to work from?	RV	1	3	3	3
24	Significant & prolonged strike	<ul style="list-style-type: none"> <li>Loss of staff</li> <li>Staff committed to cover</li> <li>Staff home commitments</li> </ul>	1	3	3	Liaison with Unison Ongoing work to achieve good industrial relations. 40% union membership (monitored). Budget arrangements for managing this	Very unlikely, but could shift radically if membership of Unison increased.	MJ	1	3	3	3
25	Significant facility falls to RDC	<ul style="list-style-type: none"> <li>Staffing to manage transition</li> <li>De La Warr, museum, charity</li> <li>Staffing to manage recovery / maintenance</li> </ul>	3	1	3		Identify staff to manage the facility. Closure / Management Plan to be drawn up.	JP	3	1	3	3
26	Amherst Road Fire / Flood	<ul style="list-style-type: none"> <li>Loss of accommodation</li> <li>Loss of IT equipment</li> <li>Loss of income</li> </ul>	1	3	3	Homeworking facilities Continued facility in Town Hall Reciprocal arrangement with neighbours Local Authority Duty to co-operate	Consider neighbour council back up. To give consideration to partners occupying the building. ICT BCP covers this risk.	MB	1	1	1	1
27	Significant Financial fraud against Council	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Financial damage</li> <li>Resources drained</li> </ul>	1	3	3	Audit service Management approval of transactions Insurance	Review insurance cover. Audit Service highlights areas of risk. Fidelity guarantee insurance in place. Whistle blowing policy in place and staff reminded of its existence. Comms team to be informed if major fraud discovered to manage Press interest.	RV	1	1	1	1
28	Spending Review and Business Rate reset by Government	<ul style="list-style-type: none"> <li>loss of grant income and share of business rates through changes in funding allocation mechanism</li> </ul>	3	3	9	Robust Financial Plan. Use of reserves as short term support . Lobbying of MPs	Influencing government decisions as an individual Council unlikely to be successful. Support of LGA/ Rural Services Network to lobby on behalf of Districts more likely to have influence	RV	3	3	9	4
29	Property Investments	<ul style="list-style-type: none"> <li>long term loss of tenants leading to loss of income.</li> <li>major structural failure of building not covered through insurance</li> <li>Restrictions imposed by Government on investment in commercial property</li> </ul>	1	3	3	Robust appraisal processes . Active tenant management including regular assessment of financial stability. Keep up to date with Government view on commercial property investment by Local Authorities. Understanding of market for types of commercial property	The Council has a very thorough process in assessing property investments. Risks are minimised through use of professional advisors including valuation and surveyors. The risk around Government intervention is difficult to mitigate and if imposed may have implications beyond commercial property investments if borrowing is to be limited	BH	1	3	3	2
30	Delivering Savings and Income targets as set out in MTFP	<ul style="list-style-type: none"> <li>failure to identify/deliver savings</li> <li>failure to identify/deliver source of additional income</li> <li>accelerated use of reserves</li> <li>emergency action required to balance budget</li> </ul>	3	3	9	Strong partnership between Members and Officers Dedicated resources to lead delivery of targets	It is likely that the Council will not achieve a balanced budget without taking some difficult decisions in terms of service provision. This requires a strong partnership between Members and Officers to achieve.	RV	3	3	9	4
31	Loss of staff and recruitment	<ul style="list-style-type: none"> <li>loss of key staff due to redundancies and financial uncertainty</li> <li>difficulties in recruiting to key posts</li> </ul>	5	3	15	alternative ways of working, greater flexibility where possible greater use of technology		MB	3	3	9	1



32	Knowledge management on staff exit	<ul style="list-style-type: none"> <li>●loss of knowledge to perform prime functions</li> <li>●unique roles not carried forward by the organisation</li> </ul>	5	3	15	Exit process to include full role analysis and capture of unique duties/knowledge	Identify staff to be knowledge recipient for each existing member of staff	MB	1	3	3	2
33	Major Projects	<ul style="list-style-type: none"> <li>●failure to deliver major project</li> <li>●financial loss</li> <li>●service failure</li> <li>●reputational damage</li> </ul>	3	3	9	Adequate project resources, capable project managers, training and support. Robust risk management practices and expert financial support.	The Council has a number of major projects to deliver including new housing and new commercial properties. It is well placed with experienced and trained officers in place, but there is a risk to project delivery if those resources are no longer available. The projects are also at risk if the Council is unsuccessful in securing external funding/borrowing to make them financially viable.	BH	1	3	3	2
34	Failure to comply with legislation - e.g. Health and Safety at Work	<ul style="list-style-type: none"> <li>●reputational damage</li> <li>●financial loss</li> <li>●risk to the individual</li> </ul>	1	5	5	Oversight to decision making by Legal Services/Monitoring Officer Joint Safety Committee HR Policies and Procedures Service Based Policies and Procedures		MJ	1	3	3	
35	Delivery of Corporate Plan	<ul style="list-style-type: none"> <li>●change in political leadership</li> <li>●insufficient capacity/resources</li> <li>●reputational damage</li> </ul>	1	5	5	Cross party support to Corporate Plan, fully funded plan, good communication		Leader/ MJ	1	3	3	

		Likelihood		
		Unlikely 1	Possible 3	Likely 5
Impact	Major 5	5	15	25
	Moderate (3)	3	9	15
	Minor 1	1	3	5

Key

<b>Risk Management Action Level</b>	<b>Low Priority</b>	<b>Activity necessary</b>	<b>High Priority - contingency</b>
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**Risk Management Policy****Introduction**

1. This is the Rother District Council Risk Management Policy. It sets out the Council's approach to Risk Management and how this will be monitored. It also outlines the principles of operation for risk.

**Definition**

2. Risk management is the way that the Council responds to uncertainty in the external environment. Risk management allows the Council to:
  - a. Identify risks in the context of Corporate objectives, including potential opportunities.
  - b. Assess risks to determine the likelihood and impact of each risk.
  - c. Determine the response to each risk individually.
  - d. Develop the necessary actions, controls and processes to implement the chosen response to each risk.
  - e. Communicate the approach to risk management and the results of risk management activity.
  - f. Deal with each risk – either avoid, reduce, share or accept it.
  - g. Exercise the contingencies for managing risks.

**Risk Culture**

3. A strong business wide risk culture is an important aspect of strong corporate governance. Risk Culture is the shared values, attitudes and practices that characterise how the Council considers risk on a day to day basis.
  - a. Awareness of risks faced by the Council.
  - b. Understanding of the business and the relevance of risk.
  - c. Clear ownership of risks.
  - d. Clearly defined responsibilities for risk management activity.
  - e. Effective monitoring and reporting of the effectiveness of risk.
4. Whilst the Council should not be risk averse, the principles contained within this policy ensure that the Council strikes the right balance in its approach to business opportunity and risk management.
5. It is also important to set a boundary between risk management and operational management activity, which by its nature has an element of risk management. Generally the boundary adopted by this policy is where the impact becomes Corporate, whilst also acknowledging that there are service based activities whose impact should be considered a Corporate Risk.

**Risk Framework**

6. The Council's Risk framework is based on a number of elements, closely linked to the Council's Business Continuity Planning process and also the Corporate Plan project management programme. The principle here to enable a live, easy to use framework that emphasises a flexible response based on experience from exercises. The elements are:

- a. The Council's Risk Management Policy.
  - b. Risk Matrix.
  - c. Established contingencies.
  - d. Corporate Project Management.
  - e. Business Continuity Plan.
7. The Council works on the basis of a 3 Tier framework of Risk:
- a. Corporate Risks – risk that potentially impact on the whole operation of the Council.
  - b. Service Based Risks - risk that have a specific impact on a Service within the Council, without necessarily impacting on all our operations.
  - c. Project Based Risks - risk that are around key Corporate Plan Projects. As such these form part of the project management plan for the project.
8. This is a live framework and will be subject to regular change, in line with the business operations of the Council.

### **Responsibility & Reporting**

9. The responsibilities within this policy are outlined below:

#### **Council**

Any policy decisions on Risk are fed through to full Council, via the Audit and Standards Committee. Policy updates will be brought forward as required.

#### **Audit and Standards Committee**

The Audit Committee is the body responsible for monitoring the Council's strategic risk management. An annual report will be considered by the Audit and Standards committee on our progress with Risk Management.

#### **Corporate Management Team**

Corporate Management Team has the following responsibilities:

- a. Implementing the risk management policy.
- b. Reviewing the management of strategic risk.
- c. Monitoring the effectiveness of the controls developed to implement the chosen risk response.
- d. Integrating risk management into project and service planning process.
- e. Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development programme.

This will be formally considered on a 6 monthly basis, and whenever specific risk issues arise. The Assistant Director, Resources will lead on this for Rother, reporting to CMT.

#### **Heads of Service and Corporate Core**

Heads of Service and senior managers within the Corporate Core are key in maintaining our ability to manage risk. They are responsible for working with CMT to maintain the corporate risk matrix. They also maintain a Service based risk register (as required). Finally they ensure projects based within their Service area have risk management in place.

**Rother District Council**

<b>Report to:</b>	Audit and Standards Committee
<b>Date:</b>	22 March 2021
<b>Title:</b>	Audit Independent Person Recruitment
<b>Report of:</b>	Robin Vennard, Assistant Director Resources
<b>Purpose of Report:</b>	To recommend the appointment of an Audit Independent Person to take office with effect from 18 May 2021.
<b>Officer</b>	
<b>Recommendation(s):</b>	<b>Recommendation to COUNCIL:</b> That Patrick Farmer be appointed as the Council's Audit Independent Person, for an initial term of two years (extendable for a further two years) with effect from 18 May 2021.

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**Introduction**

1. As Members may recall, at the meeting held in May 2020, the Committee made a recommendation to Council that an Audit Independent Person (AIP) be appointed to this Committee; this was subsequently agreed. The AIP is a non-elected member of the public with some experience in the area of audit, is a non-voting Member of the Committee and is present in an advisory / consultative manner only.
2. The Committee agreed that the Chairman of the Committee, the Assistant Director Resources and the Audit Manager comprise a panel to interview the suitable applicants and make a recommendation to the next available meeting and then on to full Council.

**Publicity**

3. The Independent Person vacancy was advertised by way of a press release, the Council's website and promoted via social media and MyAlerts, as well being notified to all Councillors and all Parish and Town Councils within the Rother area. Each applicant was provided with a recruitment pack that set out the Role Profile and Person Specification.

**Selection and Interview Panel**

4. At the closing date (29 January 2021), three applications had been received and all three candidates were offered an interview; prior to interview one candidate was excluded due to a financial conflict.
5. The two remaining interviews were held on 18 February 2021 via MS Teams; one of the applicants wished also to be considered for the Standards Independent Person, if they were unsuccessful and had been a previous 2019 candidate.

6. The expectations of the role in terms of regular attendance at meetings and contributions to committee discussions were explained to each applicant at interview.
7. The decision of the Panel is outlined below in order that the Committee can then make a recommendation to full Council on 17 May 2021. The calibre of the applicants was high, and it was a difficult decision to make.

### Appointment

8. The Panel are confident to recommend that Mr Patrick Farmer be appointed as the Council's Audit Independent Person for an initial period of two years with the option of extending this for a further two years. A profile of Mr Farmer has been circulated to Members separately from the Agenda.

### Conclusion

9. Following the recruitment process to appoint an Audit Independent Person, the Committee is asked to recommend to Council that Mr Patrick Farmer's name be put forward for approval by the full Council on Monday 17 May.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	Yes	Exempt from publication	No

Report Contact Officer:	Robin Vennard, Assistant Director Resources
e-mail address:	<a href="mailto:robin.vennard@rother.gov.uk">robin.vennard@rother.gov.uk</a>
Appendices:	None.
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2020 – 2021</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Monday 22 March 2021</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Independent Person Recruitment</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Internal Audit Report to 31 December 2020</li> <li>• Internal Audit Plan 2021/22</li> <li>• Review of Internal Audit 2020/21</li> <li>• Treasury Management Update</li> <li>• Accounting Policies 2020/21</li> <li>• Risk Management Update</li> <li>• Audit Independent Person Recruitment</li> </ul>
<b>WORK PROGRAMME 2021 – 2022</b>	
<b>Monday 21 June 2021</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Ombudsman Complaints Monitoring</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Audit Letter 2019/20</li> <li>• Grant Thornton – External Audit Plan 2020/21</li> <li>• Internal Audit Report to 31 March 2021</li> <li>• Treasury Management Report – 2020/21 Outturn</li> <li>• Annual Governance Statement</li> <li>• Annual Property Investment Update</li> <li>• Risk Management Update - TBC</li> </ul>
<b>Wednesday 28 July 2021</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2020/21</li> <li>• Statement of Accounts 2020/21</li> <li>• Treasury Management Report</li> </ul>
<b>Monday 27 September 2021</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2020/21</li> <li>• Statement of Accounts 2020/21</li> <li>• Internal Audit Report to 30 June 2021</li> </ul>

	<ul style="list-style-type: none"> <li>• Internal Audit Plan Update</li> <li>• Treasury Management Report</li> <li>• Risk Management Update - TBC</li> </ul>
<b>Xx November 2021</b>	<p><b>Provisional Date if required</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2020/21</li> <li>• Statement of Accounts 2020/21</li> </ul>
<b>Monday 6 December 2021</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2020/2021</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Audit Letter 2020/21</li> <li>• Internal Audit Report to 30 September 2021</li> <li>• Internal Audit Plan Update</li> <li>• Risk Management Update - TBC</li> <li>• Treasury Management Report</li> </ul>
<b>Xx January 2021</b>	<p><b>Provisional Date if required</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2020/21</li> <li>• Statement of Accounts 2020/21</li> </ul>
<b>Monday 21 March 2022</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Grant Thornton – External Audit Plan 2021/22</li> <li>• Internal Audit Report to 31 December 2021</li> <li>• Internal Audit Plan 2022/23</li> <li>• Review of Internal Audit 2021/22</li> <li>• Annual Governance Statement</li> <li>• Annual Property Investment Update</li> <li>• Treasury Management Update</li> <li>• Accounting Policies 2021/22</li> <li>• Risk Management Update - TBC</li> </ul>