

**Meeting of:** Audit & Accounts Committee

**Date:** 28<sup>th</sup> September 2022

**Time:** 6.30pm

**Venue:** Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

**To observe the meeting, please use the Zoom link below** (please allow time for set up if accessing for the first time):

<https://us06web.zoom.us/j/95072643870?pwd=Y0lBdGtHS0xZUUNTZmQ3VEFwcVZkZz09>

Meeting ID: **950 7264 3870**

Passcode: **265981**

**A waiting room will be in place and observers will be admitted to the meeting at approx. 6.30pm.**

**Supported by:** Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

Email: [glendaashton@rossendalebc.gov.uk](mailto:glendaashton@rossendalebc.gov.uk)

ITEM		Lead Member/Contact Officer
<b>A.</b>	<b>BUSINESS MATTERS</b>	
<b>A1.</b>	<b>Apologies for Absence</b>	
<b>A2.</b>	<b>Minutes of the last meeting</b> To approve and sign as a correct record the Minutes of the meeting held on 27 <sup>th</sup> July 2022	
<b>A3.</b>	<b>Urgent Items of Business</b> To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency.	
<b>A4.</b>	<b>Declarations of Interest</b> <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i>  Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a>
<b>B.</b>	<b>COMMUNITY ENGAGEMENT</b>	
<b>B1.</b>	<b>Public Question Time</b> Members of the public can register their question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson.	Glenda Ashton, Committee and Member Services Officer

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rossendale Borough Council, Futures Park, Bacup, OL13 0BB

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ITEM		<b>Lead Member/Contact Officer</b>
	<p>This is an opportunity to ask a question about a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p>	<p>01706 252423 <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a></p> <p>Please register an agenda related public question by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> no later than 12noon on Wednesday 28<sup>th</sup> September 2022</p>
<b>C.</b>	<p><b>Chair's Update</b> To receive communications from the Chair</p>	Councillor MacNae
<b>D.</b>	<b>ORDINARY BUSINESS</b>	
<b>D1.</b>	Corporate Risk Report Q1 2022/23	Karen Spencer, Chief Finance Officer 01706 252465 <a href="mailto:karenspercer@rossendalebc.gov.uk">karenspercer@rossendalebc.gov.uk</a>
<b>D2.</b>	Empty Homes Project Update	Neil Shaw, Chief Executive 01706 252447 <a href="mailto:neilshaw@rossendalebc.gov.uk">neilshaw@rossendalebc.gov.uk</a>
<b>D3</b>	Internal Audit Progress Report Quarter 2 2022/23	Mark Baskerville Lancashire County Council <a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a>
<b>E.</b>	<p><b>EXCLUSION OF PUBLIC AND PRESS</b> To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act.</p>	
<b>E1.</b>	<b>Standards Complaints Update (verbal)</b>	Councillor MacNae
<b>E2.</b>	<b>Whistleblowing update (verbal)</b>	Councillor MacNae

A handwritten signature in black ink, appearing to read 'Neil Shaw', written in a cursive style.

**Neil Shaw**  
**Chief Executive**

**Date Published:** 20<sup>th</sup> September 2022

**MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE**

**DATE OF MEETING: 27<sup>TH</sup> JULY 2022**

**PRESENT: Councillor MacNae (Chair)**  
**Councillors McInnes (sub for Cllr Kenyon), Procter, Smith**  
**(sub for Cllr Brennan), Steen & Woods**  
**Mr S McManus, Co-opted member**

**IN ATTENDANCE: Ms K Spencer, Head of Finance (S151 Officer), RBC (virtually)**  
**Mr M Baskerville, LCC Internal Auditors**  
**Mr A Dalecki, LCC Internal Auditors**  
**Mr D Green, LCC Internal Auditors**  
**Mr P Dossett, Grant Thornton Auditors (virtually)**  
**Ms C Walker, Fraud & Compliance Officer, RBC**  
**Miss G Ashton, Committee Officer, RBC**

**ALSO PRESENT: Councillor Walmsley**

**OBSERVED REMOTELY: Councillor Ashworth & 1 member of the public**

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**1. APOLOGIES FOR ABSENCE**

1.1 Apologies were received from Councillors Brennan and Kenyon.

**2. MINUTES OF THE MEETING HELD ON 9<sup>TH</sup> MARCH 2022**

**RESOLVED:**

The minutes of the meeting held on 9<sup>th</sup> March 2022 were agreed as a correct record subject to the following amendment:

8.3 The Chair expressed concerns that the Chief Executive was also a Director of the *RTB Partnership* and would prefer another senior manager to approve invoices.

**3. URGENT ITEMS OF BUSINESS**

3.1 There were no urgent items of business.

**4. DECLARATIONS OF INTEREST**

4.1 There were no declarations of interest.

**5. PUBLIC QUESTION TIME**

5.1 There were no public questions.

**6. CHAIR'S UPDATE**

6.1 The Chair provided an update on actions from the previous meeting:

**Fee paid to the credit agencies for data** - The sum is payable to the Cabinet Office for checks against credit agency data. Current annual cost is £2,450. The amount is usually

scalable based on the size of authority so it is expected larger authorities would pay more. The sum is fixed/set by the Cabinet Office and is a mandatory request to undertake.

**Internal Audit Annual Plan 2022/23** – The Internal Auditor, LCC had amended the dates and circulated a revised copy of the plan to Committee members.

## **7. ANNUAL FRAUD REPORT 2021/22**

7.1 The Fraud & Compliance Officer presented the report, which asked members to note the work completed during 2021/2022.

7.2 In response to comments from the Committee it was noted that:

- No special exercises had been completed during 2021/22 due to the work on Covid grant frauds.
- Housing Benefit frauds were referred to the DWP for investigation; Council Tax frauds could also be referred. Each case was assessed/actioned on a case by case basis.

### **RESOLVED:**

- The Audit and Accounts Committee noted the Annual Fraud Report for 2021/22.

## **8. ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF ACCOUNTS 2017/18**

8.1 The Head of Finance outlined the report, which asked members to note the contents of the report and the changes made since the draft was submitted in June 2018. To approve the Letter of Representation regarding the 2017/18 Accounts and approve the Annual Governance Statement and Statement of Accounts 2017/18 (Appendix 1). She outlined the significant changes to the accounts in relation to asset valuations and the sale of Rossendale Transport Limited.

8.2 In response to comments from the Committee it was noted that:

- In light of the amendments to the accounting treatment of the sale of Rossendale Transport Ltd. resulting in the movement of the sale receipt from revenue to capital, the subsequent years' accounts will be revised to make best use of the capital receipt.
- The Governance Statement had been updated since the accounts were presented to the Committee in June 2018. This formed part of the highlight report from the Internal Auditors.

### **RESOLVED:**

- The Audit and Accounts Committee noted the contents of the report, and the changes made to the Annual Governance Statement and the Statement of Accounts 2017/18 (Appendix 1) since the draft was submitted in June 2018.
- The Audit and Accounts Committee approved the Letter of Representation regarding the 2017/18 Accounts (Appendix 2).
- The Audit and Accounts Committee approved the Annual Governance Statement and Statement of Accounts 2017/18 (Appendix 1).

## **9. EXTERNAL AUDIT FINDINGS REPORT AND OPINION FOR 2017/18 ACCOUNTS**

9.1 Grant Thornton outlined the report, which set out the audit findings for year ending 31<sup>st</sup> March 2018. It was noted that changes to the audit requirements and staff turnover had made the audit challenging. All queries had been finalised and an unqualified opinion

provided. The majority of work had been around group accounting and the transport arrangements. The asset base had been the biggest challenge. Investment is needed to ensure the asset register is adequately maintained and the asset valuations are of the standard required to comply with accounting requirements. The audit fee was in excess of what was planned due to the length of time taken to conclude the accounts. It was noted that the Finance Team had been very supportive in resolving the issues raised.

9.2 The following comments were made and clarifications provided:

- Appreciation was expressed to Grant Thornton and the Finance Team for the work undertaken
- The Chair was very happy with the unqualified audit opinion.
- There had been a number of challenges, and finalising the accounts was a huge achievement.
- An update on the audit of the subsequent year's accounts would be provided at a future meeting.

**RESOLVED:**

- The Audit and Accounts Committee noted the contents of the report.

**10. CORPORATE RISK REPORT Q4 2021/22**

10.1 The Head of Finance outlined the report, which asked members to note the contents of the report, the risk consequence, mitigation action and level of risk as detailed in Appendix 1. Two risks had a red risk rating; Sustainability of the Medium Term Financial Strategy and Impact of Covid-19 on the financial sustainability of council owned leisure assets.

10.2 The following comments were made and clarifications provided:

- The 28% turnover of staff included agency staff appointed for Covid work and a number of retirements. Retaining and recruiting staff was an issue for Rossendale as well as other local authorities and the private sector.
- In comparison to other authorities and the private sector, salaries were low at Rosendale and the conditions less agile.
- An amber rating for the Sustainable Workforce risk was not agreed and more exploration was needed.
- It was noted that the Responsible Officer initially allocated the risk rating which was then reviewed and challenged by the Corporate Management Team.
- It was suggested that Neil Shaw, Chief Executive and Clare Claw, Head of People and Policy, attend future meetings to explain risk mitigation, the approach going forward and answer Committee questions.
- Enquiries to be made regarding Cyber Security training for councillors.
- Increasing utility bills, fuel costs and the final pay settlement would have an effect on the MTFS.
- The Government settlement will not be known until December.
- The funding gap at February 2022 was £600k.
- It was noted that for risk 1 (Sustainability of the MTFS) a number of actions were out of the control of the Head of Finance; it was suggested that the Responsible Officer be changed to the Chief Executive.
- The Government sets what the authority can retain from Business Rates and sets the cap for any increase to Council Tax; this was the Council's main income. Additional

commercial units would increase Business Rates but there were limited places to build units in the borough.

- The Leisure Trust had made losses during Covid but income levels were now recovering. However, increases in utility costs and the minimum wage was having a significant impact. The Council and Leisure Trust were working closely to resolve issues.

**RESOLVED:**

- The Audit and Accounts Committee noted the Corporate Risk Register as detailed in the report.
- The Audit and Accounts Committee noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.
- The Committee requested that the Amber risk rating in relation to the Sustainable Workforce risk be re-assessed for Quarter 1.

**11. REVIEW OF AUDIT & ACCOUNTS TERMS OF REFERENCE**

- 11.1 The Chair noted that the Terms of Reference of the Audit and Accounts Committee were usually brought to the first meeting of the municipal year as good practice. He queried the level of input from the Committee in relation to the oversight and management of risk mitigation and suggested that more mitigation detail be provided to the Committee.

**RESOLVED:**

- The Audit & Accounts Committee noted the Terms of Reference.

**12. INTERNAL AUDIT ANNUAL ASSURANCE OPINION 2021/22**

- 12.1 The Head of Internal Audit, LCC outlined the report, which asked members to consider the Internal Audit Annual Assurance Opinion 2021/22. The overall assurance was moderate which was a positive opinion. It was noted that one audit had been deferred to give the new H&S Officer time to settle into her new role. He expressed his gratitude to the staff for the support provided.

- 12.2 The following comments were made and clarifications provided:

- The Planning service audit had not been finalised but would be awarded limited assurance. This was already captured in the Risk Register. The findings would be reported to the next meeting.
- The Internal Audit plan and findings were built into the Risk Register.
- It was confirmed that Directors, Managers and Officers were included in the audit process.

**RESOLVED:**

- The Audit & Accounts Committee noted the Internal Audit Annual Assurance Opinion 2021/22.

**13. INTERNAL AUDIT PROGRESS REPORT Q1 2022/23**

- 13.1 The Head of Internal Audit, LCC outlined the report, which asked members to consider the Internal Audit Progress Report for Quarter 1 2022/23.

**RESOLVED:**

- The Audit & Accounts Committee noted the Internal Audit Progress Report 2022/23.

#### **14. INTERNAL AUDIT CHARTER**

14.1 The Head of Internal Audit, LCC outlined the report, which asked members to consider the Internal Audit Charter.

14.2 The following clarification was provided:

- No significant changes had been made to the Charter.

#### **RESOLVED:**

- The Audit & Accounts Committee noted the Internal Audit Charter.

#### **15. EXTERNAL AUDIT VERBAL UPDATE – MAZARS**

15.1 The Head of Finance provided a verbal update from Mazars. Now the 2017/18 accounts had been approved/signed, work would commence on the 2018/19 accounts. This will commence in November due to staffing issues. Annual audits had been taking place in relation to Housing Benefit Subsidy Control.

15.2 In response to a comment made it was noted that:

- Mazars would attend the next Committee meeting.

#### **RESOLVED:**

- The Audit & Accounts Committee noted the verbal update from Mazars.

#### **16. EXCLUSION OF PUBLIC AND PRESS**

#### **RESOLVED:**

- That the public and press be excluded from the following items of business under Section 100(A)(4) of the Local Government Act 1972 since the items involved the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A to the Local Government Act 1972.

#### **17. STANDARDS COMPLAINTS UPDATE (VERBAL)**

17.1 An update was provided in relation to Standards Complaints.

#### **RESOLVED:**

- That the update was noted.

#### **18. WHISTLEBLOWING UPDATE (VERBAL)**

18.1 An update was provided in relation to Whistleblowing.

#### **RESOLVED:**

- That the update was noted.

**The meeting concluded at 7.47pm**



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**Signed (Chair)**

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**Date**

<b>Subject:</b>	Quarter 1 Corporate Risk Register Update (April, May & June) 2022/23	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts	<b>Date:</b>	28 <sup>th</sup> September 2022
<b>Report of:</b>	Chief Finance Officer	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Contact Officer:</b>	Karen Spencer	<b>Telephone:</b>	01706 252409
<b>Email:</b>	<a href="mailto:karens pencer@rossendalebc.gov.uk">karens pencer@rossendalebc.gov.uk</a>		

## 1. RECOMMENDATIONS

- 1.1 That the Audit and Accounts Committee note the Corporate Risk Register as detailed in the report.
- 1.2 That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

## 2. EXECUTIVE SUMMARY

- The Quarter 1 (Q1) Corporate Risks Register Update is reporting for months April, May and June.
- The report includes updates for the 11 Corporate Risks.
- Overall, council performance is strong but the growing financial pressures in-year are creating cost pressures which the council must monitor closely as the year progresses.
- The report concludes:
  - 3 Corporate Risks rated 'red' on the RAG status.

## 3. BACKGROUND

- 3.1 The council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016.
- 3.2 The strategy sets out the framework of monitoring and reporting of risks. The council has identified 11 corporate risks and these are monitored via quarterly performance reporting schedule using a RAG rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.
- 3.3 If a potential issue was identified during the periodic monitoring of the risk, the responsible officer would be required to identify the risk and note the actions needed to mitigate the level of risk.

## 4. OVERALL SUMMARY OF PERFORMANCE

- 4.1 The council has reviewed and continues to monitor the council's corporate risks.
- 4.2 The corporate risks as categorised at the end of Q1 are as follows:

	Quarter 1 2022/23
Low	2
Medium	6
High	3

4.3 The corporate risks rated as 'red' are as follows:

Corporate Risk 1	Likelihood	Impact	Overall risk	Status
Sustainability of the Medium Term Financial Strategy (MTFS)	A	1	A1	RED

The February 2022 MTFS indicates that the MTFS funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. Recovery from the Covid-19 pandemic and the impact from increasing inflation continue to place additional pressure on the MTFS. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFS if settled in the claimants' favour. Officers are monitoring the scheme closely and managing the claims where possible.

Corporate Risk 6	Likelihood	Impact	Overall risk	Status
Sustainable Workforce	B	2	B2	RED

Although the cumulative staff turnover at the end of quarter 1 (3.52%) is within the key performance indicator target (15% per annum) recruitment continues to be challenging with unsuccessful recruitment exercises in Finance, Planning and Operations with a number of senior officer vacancies, including Head of Operations, Head of Finance and Head of Housing and Regeneration. The main reason cited for failure to recruit or retain staff is lower salaries compared to the private sector and other local authorities, other reasons include opportunities to work more agile and career progression. Vacant posts have a detrimental impact on the moral of staff and additional pressures top maintain delivery of services.

Work is being undertaken to review service area business continuity planning to mitigate any disruptions due to threat of industrial action. Overall trade union membership is 24% (staff making contributions from their wages) – 34% operations staff and 17% office based staff. In the event of any industrial action the Operations Service would prioritise services, for example in refuse the priority would be to continue to empty general waste bins.

Corporate Risk 13	Likelihood	Impact	Overall risk	Status
Impact of COVID-19 on the Financial Sustainability of Council Owned Leisure Assets	A	2	A2	RED

The Trust are likely to end the 2021/22 financial year in a break even position. This is due to efficient operations, a number of Covid-19 grants and other financial support which helped mitigate losses. This current financial year will be much more challenging due to increasing fuel prices, increased wages following an increase in the living wage and recovery from Covid-19. Work is underway to develop a long term strategy linked to possible facility development that will put the Trust in a long term sustainable position. The projected financial position does pose a significant financial risk to the council.

The risks will continue to be monitored by Management Team on a regular basis and are referred to in the Q1 Performance Management Report, pages 29-40.

## **6. FINANCE**

6.1 Any financial implications related to specific risks are noted in this report and detailed in the appendices.

## **7. LEGAL**

7.1 There are no immediate legal considerations attached to the recommendations in this report.

## **8. POLICY AND EQUALITIES IMPLUICATIONS**

8.1 Effective risk management is very important to the council, and the council is committed to improving on an on-going basis how it manages and mitigates risk. A very important part of this process is robust and transparent scrutiny and taking timely, corrective action to improve risk management.

## **9. REASON FOR DECISION**

9.1 The Corporate Risk Register is dynamic. The updates to the risks demonstrate active mitigation of the existing risks. The Committee will want to explore the implications of each corporate risk in the appendices.

<b>Background Papers</b>	
Corporate Risk Register	Appendix 1

## Corporate Risks

## Appendix 1

Risks are those things which might present a barrier to us delivering the things we have undertaken to achieve. Each year the council reviews the potential risks it is facing and looks at what it might do to minimise the occurrence of such risks. This information is then regularly monitored and reviewed. This quarter the council has added a new risk to the corporate risk register. This is focused on the financial vulnerability of the borough's leisure assets and classified as Risk 13.

We profile our risks using a matrix (shown below) which is based on our making two judgments about each potential risk faced by the council. The definition of the likelihood and impact can be found in the council's Risk Management Strategy 2016.

### The Council's Risk Matrix

Likelihood	A					
	B					
	C					
	D					
	E					
	F					
		5	4	3	2	1
	Impact					

#### Likelihood

How likely is it that the risk may occur (rated A-F, A being the most likely)

#### Impact

How serious might the consequences of the impact be (rated 1-5, 1 being the highest consequence).

Therefore, a risk rated A1 is the highest risk rating and a risk of F5 is the lowest risk rating.

Risk RAG (Red, Amber and Green) rating status indicators	
Risk Status	Status description
<b>GREEN</b>	The likelihood and impact of the risk is low
<b>AMBER</b>	The likelihood and impact of the risk is medium
<b>RED</b>	The likelihood and impact of the risk is high

<b>Risk 1 – Sustainability of the Medium Term Financial Strategy</b>			<b>Responsible Officer - Karen Spencer</b>	
<b>Description</b> The Council's latest Medium Term Financial Strategy (MTFS) update published February 2022 indicates an underlying funding gap of c£600k per annum from 2023/24 onwards. The council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. The council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves. Council reserves are limited and equate to only circa 3 years given the anticipated funding gap. Therefore additional income must be identified or annual costs reduced in future years. The current cost of living crisis may also add to the pressure on the MTFS through pay award, utility costs, contract inflation and Council Tax/NNDR collection rates.				
<b>Risk Consequence</b> If the council is not able to prepare a balanced budget there would be legal ramifications, but it would ultimately impact on the level of services the council is able to deliver to Rossendale residents and would result in major reputational damage.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>B</b>	<b>2</b>	<b>B2</b>	<b>RED</b>
<b>Mitigation</b> The MTFS does not indicate a significant narrowing of the gap in the next four years. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> The February 2022 MTFS indicates that the MTFS funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. Recovery from the Covid-19 pandemic and the impact from increasing inflation continue to place additional pressure on the MTFS. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFS if settled in the claimants' favour. Officers are monitoring the scheme closely and managing the claims where possible.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>A</b>	<b>1</b>	<b>A1</b>	<b>RED</b>

<b>Risk 2 – Major disaster affecting the delivery of council services</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> The council has statutory duties under the Civil Contingencies Act (2004) and to carry out emergency planning and business continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.				
<b>Risk Consequence</b> Failure to have robust contingency plans in place could result in the failure to deliver council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>1</b>	<b>C1</b>	<b>AMBER</b>
<b>Mitigation</b> A robust overall council Emergency and Business Continuity Plan is in place. Service continuity plans are updated and tested regularly through a quarterly Emergency Planning meeting. The plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the overall plan and their service plan and keep them under review. RBC is a member of Lancashire County Council Local Resilience Forum (LRF). Officers attend meetings and undertake regular training exercises. RBC plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> The council has adopted a flexible working policy to support staff working more agile, all office based staff have the equipment to allow them to work from home if needed to do in an emergency situation. The council continues to follow Covid-19 government guidance and staff that test Covid-19 positive if fit will continue to work from home (Covid-19 absences has reduced to 7.2% in Q1). Covid-19 sickness related absences will be managed under the Absence Management Policy.  An Emergency Planning Team Meeting was held on 14th June 2022, one out-of-hours emergency planning incident was reported in Q1, to support the emergency accommodation of a homeless person. At the meeting the plans for death of a Senior Figure were reviewed and updated. The training plan for 2022/23 for Emergency Planning Team members has been developed.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>

<b>Risk 3 – Incident resulting in death or serious injury or HSE investigation</b>			<b>Responsible Officer – Clare Law</b>	
<b>Description</b> Under the Health and Safety at Work Act (1974), the council has a duty of care towards the health, safety and wellbeing of its employees and others who may be affected by our work. In the event of a RIDDOR reportable accident, there is a risk of an HSE investigation and potential for a civil claim for damages.				
<b>Risk Consequence</b> Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>2</b>	<b>D2</b>	<b>AMBER</b>
<b>Mitigation</b> The council has health and safety policies and procedures including a health and safety incident reporting procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the council in order to secure compliance.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>2</b>	<b>E2</b>	<b>GREEN</b>
<b>Quarter 1 Update</b> The 4-year health & safety plan has been compiled and implementation has commenced. The Workplace Inspection Schedule 2022/23 has been developed, to include main council offices at Futures Park and Henrietta Street and other satellite sites such as Stubbylee Hall, Tup Bridge and cemeteries depots. Work has commenced to review Hand Arm Vibration (HAVs) compliance to safeguard staff using hand held vibrating equipment in Operations. In May, the first Health and Safety Culture survey was completed in Operations with a response rate of 44%. The survey focussed on training, Personal Protective Equipment (PPE) and reporting of accidents, incidents and safety concerns. Overall the respondents had a positive view that safety was a high priority for the Council.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>2</b>	<b>D2</b>	<b>AMBER</b>



<b>Risk 4 – Sustainability of the County Council budget</b>			<b>Responsible Officer - Karen Spencer</b>	
<b>Description</b> Like all local authorities, Lancashire County Council has to maintain a balanced budget. If the County Council are required to make savings this may impact on service provision across the county.				
<b>Risk Consequence</b> Budget reductions may have an impact on service provision for our residents. There is also a risk of cost shunting to district councils.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>C</b>	<b>3</b>	<b>C3</b>	<b>AMBER</b>
<b>Mitigation</b> The council will continue to work with Lancashire County Council to find ways of reshaping services to reduce costs whilst ensuring shared outcomes are achieved. The council continues to support joint leadership and Chief Executive meetings to find new ways of working together for the benefit of our residents. The council will continue to interrogate Lancashire County Council savings proposals and identify risks to our residents and to our services.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>C</b>	<b>3</b>	<b>C3</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> The Lancashire County Council's 2022/23 budget approved in February 2022 announced further savings of c£11m, however these are mainly resulting from income generation schemes and a change in internal working practices. The council continues to suffer from increased fly-tipping and the associated costs, which has in part resulted from the implementation of the reduced opening hours of the Lancashire County Council Household Waste Recycling Centres savings proposal.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>C</b>	<b>3</b>	<b>C3</b>	<b>AMBER</b>

<b>Risk 5 – Changes to Government policy on the delivery of the council’s services</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> Like all local authorities the council is a statutory body that is subject to changes being consulted upon and or implemented by central government that might affect how we operate and serve our residents/businesses.				
<b>Risk Consequence</b> The risk that the council fails to react and be prepared for any changes being proposed or implemented by central government.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Mitigation</b> The council is a member of the Local Government Association and District Councils Network who keep us informed of government policy and consultations and lobby on behalf of councils to mitigate the impact of any change. The council is also signed up to receive daily emails from Local Government Information Unit who provide daily government news and other Local Government Information Unit (LGiU) policy briefings. The Chief Executive and Leader of the council meets regularly with our two MPs. The council’s Corporate Management Team monitor and assess government’s position on funding to be distributed to local authorities and other Government announcements that impact funding.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Quarter 1 Update</b> The council continues to monitor the potential impact of the Levelling Up & Regeneration Bill introduced to Parliament in May 2022. The Bill proposes opportunities to ‘level up’ areas of the UK and could have an impact on current and future rounds of Levelling Up funding. This should not affect the council’s current proposed bid to the Fund.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN

<b>Risk 6 – Sustainable Workforce</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> There is a requirement to have a sustainable workforce to deliver the council services to residents and customers.				
<b>Risk Consequence</b> Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>3</b>	<b>D3</b>	<b>AMBER</b>
<b>Mitigation</b> The council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework and Service Area Business Continuity Plans in place to mitigate any staffing challenges such as loss of staff due to the impact of an epidemic or pandemic. HR will work with managers to develop workforce succession planning. The council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free onsite parking, family friendly policies, discounted gym memberships and a cycle scheme to attract and retain staff.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>3</b>	<b>E3</b>	<b>GREEN</b>
<b>Quarter 1 Update</b> The cumulative staff turnover at the end of quarter 1 is 3.52%. Recruitment continues to be challenging with unsuccessful recruitment exercises in Finance, Planning and Operations including the Head of Operations. The main reason cited for failure to recruit or retain staff is the lower salaries compared to the private sector and other local authorities, other reasons include opportunities to work more agile and career progression. Vacant posts have a detrimental impact on moral of staff and additional pressures to maintain delivery of services.  Work is being undertaken to review service area business continuity planning to mitigate any disruptions due to threat of industrial action. Overall trade union membership is 24% (staff making contributions from their wages) – 34% operations staff and 17% office based staff, in the event of industrial actions Operations service would prioritise services, for example in refuse the priority would be to continue to empty general waste bins.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>2</b>	<b>B2</b>	<b>RED</b>

<b>Risk 7 – Insufficient data and cyber security</b>			<b>Responsible Officer - Andrew Buckle</b>	
<b>Description</b> Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat.				
<b>Risk Consequence</b> Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as General Data Protection Regulation (GDPR), Payment Card Industry Data Security (PCI-DSS).				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>1</b>	<b>C1</b>	<b>AMBER</b>
<b>Mitigation</b> To protect against a data breach RBC, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. RBC Data Centres hold the following accreditations: ISO27001:2013, PCI-DSS. RBC adopts a Risk Insight approach to determine the treat Landscape and more importantly its evolution. RBC has received notification of meeting the Public Services Network (PSN) which means the councils' infrastructure met all the security requirements to allow connection to the PSN. Cyber security training is to be provided for all staff.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> The PCI-DSS Penetration and scan testing were completed in June 2022 and Rossendale have been informed that the council has passed the PCI-DSS security tests. The PSN testing and certification process was completed in June 2022. In addition external vulnerability scanning has been successfully implemented, this provides a checking process to identify the latest external threats and vulnerabilities detailing both the security and business risk. All relevant staff have undertaken Cyber security training and this has now been rolled out to Elected Members.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>

<b>Risk 8 – Poor communications and public relations</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide effective and efficient council services.				
<b>Risk Consequence</b> Failure to communicate and respond to issues as they develop and inadequately or inappropriately communicating could lead to a major loss of reputation for the council on a local, regional and national level. A loss of reputation can damage staff morale, trust between the council and residents and impair the relationship between the council and its partners meaning projects and services delivery is damaged.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>1</b>	<b>B1</b>	<b>RED</b>
<b>Mitigation</b> Communication methods are in place to support face to face, mail or electronic communications with a developed website and social media channels to provide 24/7 communication service. The council has an experienced public relation and communications function to support council officers to deal with communications in a timely manner and promote the work of the council.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> VivaPR has continued to deliver the agreed communications plan including updates to the council's websites and social media posts to residents and communities. CMT receive a weekly communications update, which includes horizon scanning and potential risks.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>

<b>Risk 9 – Non – Delivery of Corporate Projects</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> The council has agreed the 11 corporate projects for 2022/2023 to support the delivery of Corporate Plan.				
<b>Risk Consequence</b> Failure to deliver the corporate projects would have a detrimental impact on the delivery of the council's Corporate Plan 2021-25, and result in a reputational risk to the council's commitment to the residents. The failure to deliver the corporate projects could potentially have a negative impact on the council's revenue budgets (by failure to deliver income generating projects) and delivery of the medium term financial strategy, and the associated economic and social benefits may not be realised.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>
<b>Mitigation</b> Each corporate project has a Project Sponsor (member of the Corporate Management Team), a Project Manager and Finance Officer. Each corporate project will have a robust project plan and live risk register. The Project Sponsor will be responsible for the strategic overview of the corporate project, and the Project Manager will be responsible for the day-to-day management of the corporate project. The council's Programme Board meets quarterly to review the progress of the corporate projects. The Project Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate project.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>2</b>	<b>E2</b>	<b>GREEN</b>
<b>Quarter 1 Update</b> The Programme Board continues to monitor all the projects (last meeting on 9 <sup>th</sup> May 2022). All projects are on track and within budget.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>2</b>	<b>E2</b>	<b>GREEN</b>

<b>Risk 10 – Response and Recovery to Covid-19 Pandemic</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> Covid-19 is a strain of the coronavirus, the government declared the virus as a pandemic in the UK in March 2020.				
<b>Risk Consequence</b> The pandemic causes a potentially risk to the delivery of the council services and the health and wellbeing of the wider community.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>E</b>	<b>2</b>	<b>E2</b>	<b>GREEN</b>
<b>Mitigation</b> The council has an Emergency Plan and Service Area Business Plans to support a pandemic emergency. The plans have been activated, regularly reviewed and stress tested throughout the pandemic. Risk Assessments and Safe Systems of Work have been developed and reviewed with staff and Trade Unions throughout the pandemic to provide a safe working environment. Council officers have worked with the Lancashire Resilience Forum and multi-agency partners to mitigate any potential risks throughout the pandemic. At the start of 2022, most Covid-19 restrictions had been lifted but the council will keep the situation under review.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>3</b>	<b>B3</b>	<b>AMBER</b>
<b>Quarter 1 Update</b> The council continues to follow Government advice on managing the impact of Covid-19. We continue to monitor the number of positive Covid-19 cases and have maintained a contingency plan for a potential tightening of Government restrictions. However, this has not developed during Q1 and therefore the overall level of risk in terms of the impact of the Covid-19 pandemic on the council has reduced. We continue to monitor the situation closely.				
<b>Quarter 1 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>3</b>	<b>D3</b>	<b>AMBER</b>

<b>Risk 11 – Impact of Covid-19 on the Financial Sustainability of Council Owned Leisure Assets</b>			<b>Responsible Officer – Adam Allen</b>	
<b>Description</b> National Lockdowns due to Covid-19 resulted in council owned leisure facilities closing for extended periods. During closure no income was received and outside of lockdown periods, income was significantly reduced. This has impacted the financial sustainability of the trust.				
<b>Risk Consequence</b> If the council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the council. This financial impact was managed in 2021/22 through additional government grants and council support, however the real impact is likely to be felt in 2022/23. The impact of a new private gym provider is still unknown.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	A	2	A2	RED
<b>Mitigation</b> The Leisure Trust and council have consolidated all council owned leisure assets under the umbrella Trust to maximise efficiency. Ski Rossendale, CLAW and the Whitaker have been transferred. A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact have been implemented. Senior council Officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a Covid-19 specific Sport England Fund has been received though this is limited in its amount and did not cover retrospective losses. Constant monitoring of future business plans and work in partnership to maximise income and reduce costs continues.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	A	2	A2	RED
<b>Quarter 1 Update</b> The Trust are likely to end the 2021/22 financial year in a break even position. This is due to efficient operations, a number of Covid-19 grants and other financial support which helped mitigate losses. This current financial year will be much more challenging due to increasing fuel prices, increased wages following an increase in the living wage and recovery from Covid-19. Work is underway to develop a long term strategy linked to possible facility development that will put the Trust in a long term sustainable position. The projected financial position does pose a significant financial risk to the council.				
<b>Quarter 1 risk assessment RAG status</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	A	2	A2	RED



<b>Subject:</b>	Empty Homes project	<b>Status:</b>	Public
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	28 September 2022
<b>Report of:</b>	Chief Executive	<b>Lead member:</b>	Leader of the Council
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment</b>	Required: No	<b>Attached:</b>	No
<b>Contact Officer:</b>	Chief Executive	<b>Telephone:</b>	01706 252447
<b>Email:</b>	neilshaw@rossendalebc.gov.uk		

## 1. RECOMMENDATION

**That the Committee considers the update on the Empty Homes project and the actions to manage the project in the future.**

## 2. EXECUTIVE SUMMARY

- Rossendale Borough Council is responsible for administering the Pennine Lancashire Empty Homes Scheme on behalf of itself and other local authorities
- Currently 105 properties remain in the scheme (originally 474 properties were on the scheme)
- Leases on the properties were signed for up to 10 years, with the last leases due for termination in December 2024
- 75% of properties are tenanted (which has reduced from 85% a year ago)
- Total net cost of the project to the end of Q1 in 2022/23 is £7.91m

## 3. BACKGROUND

- 3.1. On 14 November 2012 the council entered into a consortium agreement with the Homes & Communities Agency (HCA), to deliver a housing purchase and repair scheme. The scheme was to bring properties back into use across Pennine Lancashire. It was agreed with the HCA that the council would act as an accountable body for five East Lancashire councils: Rossendale, Pendle, Burnley, Blackburn and Hyndburn.
- 3.2. AAW were commissioned to act as the managing agent for the authorities. Owners of empty properties were assigned 5 or 10 year leases to AAW in return for guaranteed rent (70% of the LHA rates) and council tax. The 30% rent balance would then be retained by AAW to cover management costs and repairs. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Where the properties were not at the Decent Homes Standard, owners could either:
  - Commission AAW to undertake the necessary improvement works or
  - Undertake the works themselves and obtain re-imburement from AAW
- 3.3. January 2015 saw the demise of AAW following the council's refusal to provide financial assistance to the company. At the time of collapse, 357 properties remained on the scheme. The total HCA grant claimed by AAW at this point was circa £4.7m.

- 3.4. With the demise of AAW, the council became responsible for tenants. LCC undertook an internal audit to understand the failings of the scheme. The key failings confirmed in the LCC Internal Audit report were:
- No assessment was made of the risks and appropriate controls in taking up the funding and operating the programme
  - The former Chief Executive did not obtain indemnities from other Pennine Lancashire councils
  - Normal controls, expected procedures and statutory requirements were over-ridden
  - Insufficient involvement of the council's legal and financial statutory officers
- 3.5. There was inadequate supervision of a single member of staff who was effectively made responsible for the management of the entire programme, and the scope to act in whatever way they felt was appropriate. Officers involved in working with AAW failed to inform members in a structured way on the operation of the programme. There was a failure to sufficiently involve the council's statutory officers in the decision-making process. In parallel, a police investigation commenced to explore evidence of illegality on AAW's behalf. Further details on the background to the project and progress over the last two and a half years were provided to the Audit & Accounts Committee in July 2020 and July 2021.

#### **4. THE LAST YEAR**

- 4.1. Managing the project continues to be complex and challenging. 77% of the properties have now been removed from the scheme. No leases were due for termination in 2021 and four are due to terminate by December 2022. There has therefore only been a small change in the number of properties remaining on the project in the last year.
- 4.2. 75% of the 105 remaining properties are currently tenanted, providing homes for local people in East Lancashire. Good progress has been maintained in putting properties into good condition to let (or to repair current tenant damage). The scale of repairs or refurbishment in the last year has been high as six properties have been extensively renovated (with a further eight properties underway). The overall cost of repair and refurbishment illustrates the scale of repair works which are on-going through the life of the project. The renovation of these remaining eight properties is anticipated to be the last large-scale renovation work required under the project.
- 4.3. Leases on 5 properties have expired but remain in the scheme. The impact of Covid has meant the council has not been able to obtain vacant possession for these properties despite significant negotiation with sitting tenants. The council is in negotiation through Calico for owners to accept sitting tenants for the properties. The lease expiry for the next properties is in December 2022 when leases on 2 properties will come to an end.
- 4.4. As the last leases have just over two years remaining on their term – and some properties have less – when a property becomes vacant/void we are discussing with the property owner if they are prepared to have the property handed back early and the lease terminated. Active discussion is taking place on 6-9 properties to see if the lease can be terminated early, reducing the liability and risk to the council. This is impacting on the percentage of properties tenanted.
- 4.5. Calico continue to act as managing agents for the majority of the properties. The remainder are managed by a letting agent.
- 4.6. During the last twelve months there has been significant on-going legal activity responding to two legal claims for repairs and other related housing costs. A claim relating to seven properties has been recently settled. A further significant claim relating to fifty properties is on-going.

4.7. The Cabinet have received quarterly updates on the progress of the project. Regular project team meetings take place and the Chief Executive remains as the Project Sponsor to oversee the project. The council is seeking to recruit a Housing Programme Manager to take over the management of the project for the remainder of its term.

## 5. FINANCE

5.1. As at the 31 March 2022, the net costs for 2021/22 were £535,450. Made up of £371k revenue costs and £164k capital expenditure. The total net cost of the project to the end of Quarter 1 (2022/23) was £7.91m. Whilst the council has provided for owner loans there are land charges on the properties, therefore the council will ultimately seek to recover the £1.02m.

5.2. The table, below, outlines the annual costs of the project over the first eight financial years:

Empty Homes Project	Report as at 31/3/22		
	Revenue £000	Capital £000	Total £000
2014/15 net operating cost	278	0	278
2015/16 net operating cost	896	312	1,208
2016/17 net operating cost	1,306	2,159	3,465
2017/18 net operating cost	461	27	488
2018/19 net operating cost	83	71	154
2019/20 net operating cost	613	110	723
2020/21 net operating cost	335	550	885
2021/22 net operating cost	371	164	535
<b>TOTAL</b>	<b>£4,343</b>	<b>£3,393</b>	<b>£7,736</b>
HCA grant		-2,891	
Repaid HCA grant on returned properties		1,579	
Net HCA grant			-1,312
Contributions from other councils			-330
Provision set aside for doubtful loans			1,023
Further works on returned properties			413
<b>Net cost to RBC</b>			<b>£7,530</b>

5.3. The 2021/22 costs are outlined in more detail, below:

<b>Financial Summary at the end of 2021/22</b>			
<b>Total Approved Budget</b>	<b>Revenue £300,000</b>	<b>Capital £675,000</b>	
	<b>Actuals</b>	<b>Actuals</b>	<b>Total</b>
Building Renovation Costs <sup>1</sup>		£163,846	£163,846
Salary - Project Support Officer	£14,440		£14,440
General Repairs <sup>2</sup>	£5,384		£5,384
Utilities	£4,094		£4,094
Leaseholder Payment	£140,231		£140,231
Council Tax	£187,476		£187,476
Professional Fees <sup>3</sup>	£47,682		£47,682
Door Security	£5,168		£5,168
Settlement Payments to Owners <sup>4</sup>	£28,298		£28,298
Legal Fees	£17,200		£17,200
Provision for Bad Debt	£0		£0
Repayment of Principal	£49,655		£49,655
Miscellaneous Expenses	£694		£694
Other Costs Recovered	-£39,998		-£39,998
Rental income <sup>5</sup>	-£88,721		-£88,721
<b>Total</b>	<b>£371,604</b>	<b>£163,846</b>	<b>£535,450</b>

<sup>1</sup> Capital repair costs associated with either significant end of lease (or current renovation) property improvements to ensure they meet the appropriate standard

<sup>2</sup> Day to day repairs including tenant damage (beyond wear and tear)

<sup>3</sup> Primarily building surveyor costs

<sup>4</sup> Legal settlement with owners, primarily back rent and minor repairs

<sup>5</sup> This does not include rental income received by Calico for the properties they manage, as part of the agreement is to cover their tenant management costs

5.4. Properties are to be returned to owners at a liveable standard and therefore both renovation/repair costs (£163k) and settlement payments to owners (£28k), have been incurred to enable the properties to be returned to owners in an appropriate condition.

5.5. In August 2022 the council increased its 2022/23 project budget to enable it to fund the outcome from an on-going legal case. This was approved by Full Council. Where possible, for larger improvement works, the council will continue to capitalise cost to reduce the impact on the council's revenue budget. The MTFS is reviewed annually and this review takes into account the projected future costs of the project, reviewed each year.

## 6. LEGAL

6.1. The legal issues including the property leases are explored in the report. The council has a legal agreement with Calico Homes to manage 87 properties in the project. The council has sought and received assurance from Calico that the agreed end of lease process is being followed to ensure properties are being returned to owners as swiftly as possible.

6.2. The council is managing a live legal claim relating to 50 properties pursuing property costs and this is on-going. If the court finds in favour of the claimant the council carries the financial risk, the scale of which is unknown until settlement of the case.

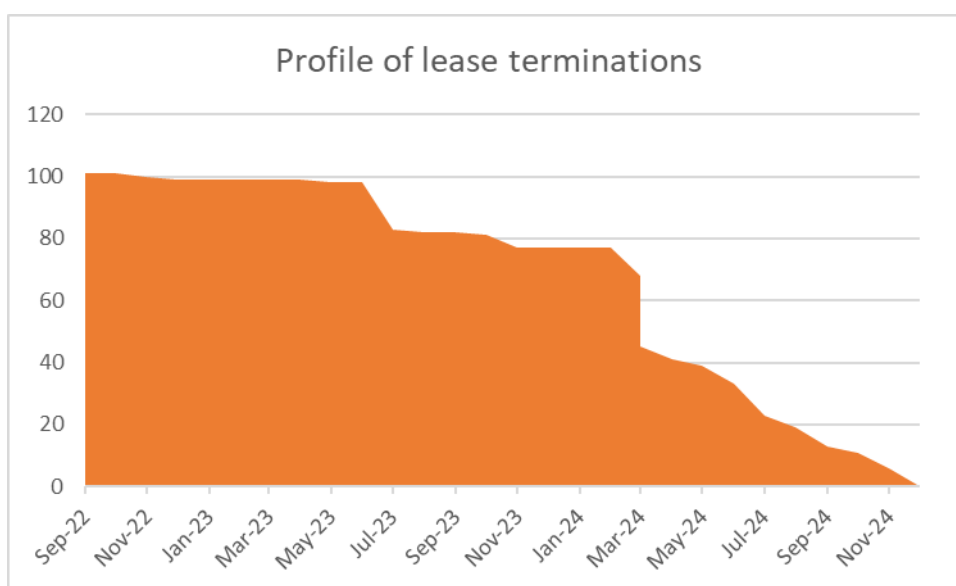
## 7. THE FORTHCOMING YEAR

7.1. The council continues to keep the project under close scrutiny. The following key issues have been identified.

### 7.2. Managing the implications of the leases

Managing the project has been extremely challenging. The structure of the legal agreement in relation to the leases has placed the vast majority of the financial liability on the council. The nature of these leases has been fundamental to the costs incurred by the council for the duration of the project. Due to the nature of the leases it is not possible to significantly reduce the likely cost of future repairs and end of lease costs.

7.3. The profile of the termination of the leases is summarised in the graph, below:



### 7.4. Management and control of the project

Officers have aimed to manage the project throughout to the best of their ability. Issues have often emerged when works have not previously been undertaken to properties during the AAW management of the scheme. The scale of these works and the nature of the leases have made managing the project extremely challenging. There has been on-going tight control of the project. Officers continue to actively contract manage Calico and the other letting agent, challenge contractors cost estimates, ensure works are completed to an appropriate standard and properties proactively returned to owners at lease expiry. We are actively looking to recruit a Housing Programme Manager to take over the management of the project. A new project support officer was recruited in 2021, which is helping the project team's capacity. The project reports to the council's Programme Board and quarterly updates are provided to the Cabinet.

### 7.5. Handling on-going legal disputes with owners

The council aims to minimise legal claims in relation to repairs and other property related costs but the condition of the leases are extremely restrictive for the council. Claims are actively managed and challenged but these are likely to have an on-going financial impact on the project and are being factored into the anticipated future cost projections (although estimating actual cost is very difficult).

## 7.6. Risk

The project's risk register is regularly reviewed. The project carries a significant financial, legal and reputational risk with the on-going legal case. Mitigating actions are put in place for all the project's risks and these are kept under regular review.

## 7.7. Transparency

The project reports to the council's Programme Board, as outlined earlier, so robust monitoring can take place, particularly in relation to the financial progress of the project. Regular updates are provided for the Cabinet and this is the third annual update provided for the Audit & Accounts Committee, to enable information to be published in the public domain.

## 8. **CONCLUSIONS**

8.1. Since the start of the project in 2014/15 when the council became directly responsible for the management of the project, the number of properties in the scheme has reduced from 357 to 105. This has significantly reduced the council's liability on the project for the remainder of the leases – until December 2024. The net cost of the project to date has been £7.91m.

8.2. The nature of the leases has been fundamental to the costs incurred by the council for the duration of the project. The structure of the leases continue to significantly limit the council's ability to reduce costs. The council is actively seeking to mitigate future cost through:

- Active pursuit of rent arrears
- Removal of properties from the scheme at the earliest opportunity
- Ensure leases are terminated at end date and properties returned to owners promptly
- Legal claims are actively managed and challenged
- Ensure repair costs are value for money
- Owner loans are repaid

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Management response to the Lancashire County Council Internal Audit report: "Bringing Empty Homes into Use"  (inc the LCC Internal Audit report)  Council, 9 December 2015	<a href="https://www.rossendale.gov.uk/meetings/meeting/874/council">https://www.rossendale.gov.uk/meetings/meeting/874/council</a>
Empty Homes project  Audit & Accounts Committee, 28 July 2020	<a href="https://www.rossendale.gov.uk/meetings/meeting/1208/audit_and_accounts_committee">https://www.rossendale.gov.uk/meetings/meeting/1208/audit_and_accounts_committee</a>
Empty Homes project  Audit & Accounts Committee, 28 July 2021	<a href="https://www.rossendale.gov.uk/meetings/meeting/1270/audit_and_accounts_committee">https://www.rossendale.gov.uk/meetings/meeting/1270/audit_and_accounts_committee</a>

<b>Subject:</b>	Internal Audit Progress Report Qtr 2 2022/23	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	28 September 2022
<b>Report of:</b>	Head of Internal Audit (Internal Audit Service)	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Mark Baskerville, Audit Manager	<b>Telephone:</b>	01772 538615
<b>Email:</b>	<b>Mark.Baskerville@lancashire.gov.uk</b>		

1.	<b>RECOMMENDATION</b>
1.1	The committee are asked to consider the internal audit progress report for Qtr 2 2022/23.

**2. PURPOSE OF REPORT**

2.1 To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan, and to consider a summary of internal audit activity and the level of assurance it gives over the council's governance, risk management and internal control arrangements.

**3. BACKGROUND AND OPTIONS**

3.1 In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

**4. RISK**

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- This report addresses the adequacy of the council's management of risks in respect of the areas subject to audit.

**5. FINANCE**

5.1 Any financial implications are commented upon in the report.

**6. LEGAL**

6.1 Any legal implications are commented upon in the report.

**7. POLICY AND EQUALITIES IMPLICATIONS**

7.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

**8. CONCLUSION**

8.1 The audit programme is progressing in line with the plan.

No background papers

**Rossendale Borough Council**

**Internal Audit Service**

**Progress report on delivery of the 2022/23 internal audit plan**

**Quarter 2 July - September 2022**





## Internal Audit Service

### 1. Introduction

- 1.1. This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2022/23 audit plan, agreed at the March 2022 Committee meeting. Our annual assurance opinion report, also submitted to this Committee, reports delivery of the 2020/21 audit plan.

### 2. Summary of progress against the 2022/23 audit plan

- 2.1. Work on the plan is progressing and all but one 2021/22 audits are now completed. We have completed a further unplanned grant certification and we have issued two draft and one final audit report where we gave substantial assurance. A further four audits are progressing including the IT audits which Mersey Internal Audit Agency (MIIA) will undertake. While we are not yet at the stage where we can formally report assurances from the audits in progress, audit findings indicate good levels of compliance with established policies and procedures. The table below shows the current status of all audits.
- 2.2. In addition to planned work we have undertaken three short, unplanned audits of Covid-related grants, and provided assurance that the council complied with grant conditions.

Audit Title	Status	Audit Type	Assurance Opinion
<b>Governance and democratic oversight</b>			
Delegated decision making by officers	Not started	1+2	
Leisure Trust	Not started	1+2	
Performance management	Not started	F	
GDPR/ information security policies	Not started	F	
<b>Business effectiveness</b>			
Financial sustainability	Not started	1+2	
IT threat and vulnerability management (MIIA)	Progressing	1+2	
IT critical application review of payroll (MIIA)	Progressing	1+2	
Procurement	Not started	F	
IT Critical application review of Civica (MIAA)	Not started	F	
IT Homeworking arrangements (MIIA)	Not started	F	
IT Service Continuity (MIAA)	Not started	F	

Internal Audit Service - Progress Report 2022/23 Quarter 2

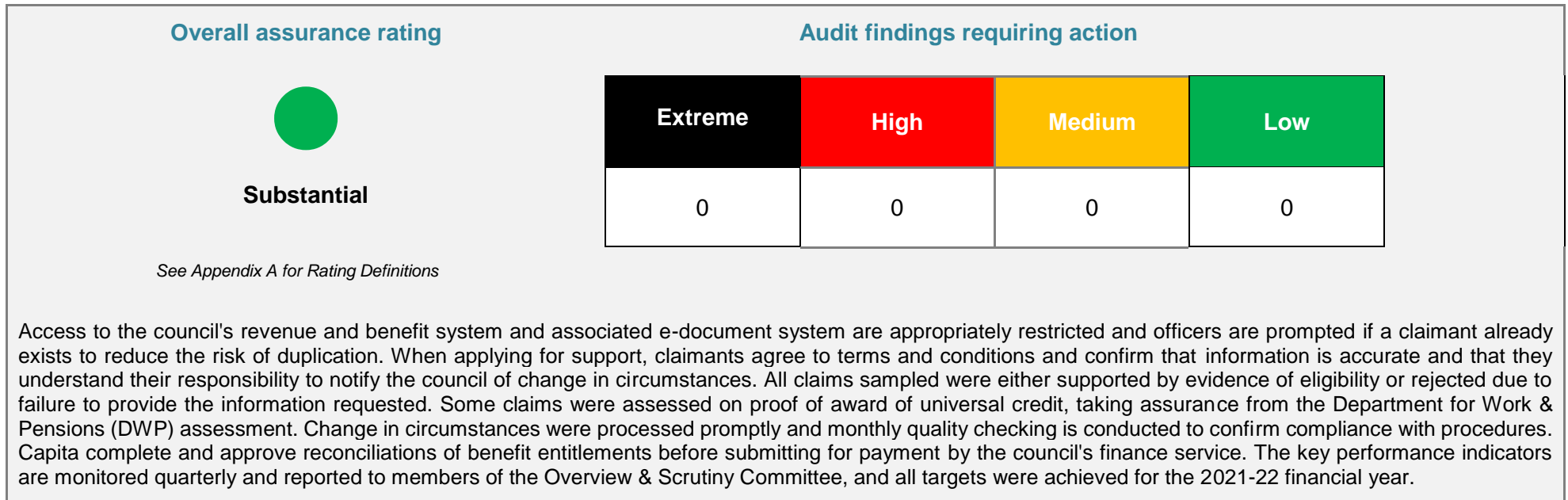
Audit Title	Status	Audit Type	Assurance Opinion
<b>Service delivery</b>			
Corporate project delivery	Not started	1+2	
Planning controls	Not started	F	
Commercial rents	Not started	F	
<b>Service support</b>			
Health and safety (deferred from 2021/22)	Progressing	1+2	
Sickness absence	Not started	1+2	
<b>Business processes (follow up and compliance)</b>			
Accounts payable	Not started	2	
Accounts receivable	Not started	2	
General ledger, budget setting and monitoring	Not started	2	
Income collection/ banking	Not started	2	
Payroll	Progressing	2	
Council tax	Draft	2	
Business rates/ NNDR	Draft	2	
Housing benefits	Final	2	Substantial
COMF grant certification (unplanned work)	Completed	2	Compliance with grant conditions
Protect and Vaccinate Grant certification (unplanned work)	Completed	2	Compliance with grant conditions
Test and Trace Grant certification (unplanned work)	Completed	2	Compliance with grant conditions

Stage of audit process	Number of audits
Completed (no report necessary)/ Final Report delivered	4
Draft report	2
Progressing	4
Not started	17
Deferred/ cancelled	0
<b>Total number of audits</b>	<b>27</b>

### 3. Extracts from Audit Reports

3.1. Extracts of assurance summaries, findings and agreed actions are shown below.

## Housing Benefit and Council Tax Support



### Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Governance Committee. The audit covers the period April 2021 to March 2022 and was conducted in conformance with Public Sector Internal Audit Standards.

### Context

The council outsources housing benefit and council tax support claims to Capita PLC. The council's Service Assurance team monitor performance against this contract through key performance indicators and report quarterly to Members for oversight. The Northgate system is used to input and manage claims and evidence of eligibility is stored on Info@Work, an electronic document management system. There were 256 housing benefit and 1448 council tax support claims during April 2021 to March 2022

### Previous audit

An internal audit was last carried out in November 2021. This resulted in a substantial assurance opinion being issued.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

## Internal Audit Service - Progress Report 2022/23 Quarter 2

- Failure to maintain an accurate housing benefit and council tax support database, potentially resulting in fraudulent payments;
- Benefits claims are not processed promptly resulting in poor value for money and reputational loss for the council;
- Incorrect or fraudulent claims are accepted, including voids and claims on multiple properties, resulting in financial loss;
- Failure to identify changes in circumstances could result in overpayments and/or fraudulent payments.

### Key Findings

System access	53 unique user accounts had access to Northgate benefits and revenue modules. All officers were employed by either Capita or the council and access was appropriate to their role. We confirmed one officer who changed role no longer had access the system.		●
New Claim Eligibility and Processing	For new claims, users receive an error message if the name or national insurance number already exists, to reduce duplication. Claimants were required to declare other income, capital and properties. Before submission the claimant must agree to terms and conditions, including notification of changes in circumstances. Eligibility was confirmed in line with policy or rejected, usually where supporting evidence was not provided. Evidence of approved claims was retained, with assurance taken from DWP assessment.		●
Change in Circumstance (CIC) and Quality Checking	Claims amendments were actioned correctly. Notifications from ATLAS and housing benefit matching service were processed promptly. New claims and changes in circumstances were quality checked monthly by a single officer and action was taken to address issues. These were checked by the line manager but as the officer had processed some claims they were checking their own work. However, thematic tests were carried out to provide assurance that Capita delivered on their contract and will include whether this arrangement is appropriate.		●
Reconciliation and Separation of Duties	Payments were reconciled and matched between the Northgate and Civica systems. The process involved both Capita officers confirming the accuracy of payment and approving the payment total and two Rossendale officers who process and approve the payments, ensuring sufficient separation of duties.		●
Performance and oversight	Rossendale and Capita senior management meet quarterly to agree targets for the financial year and monitor performance and issues arising. Key performance indicators are reported quarterly to members of the Overview & Scrutiny committee and all targets were achieved during the 2021-22 financial year.		●

#### 4. Update on the National Fraud Initiative (NFI)

4.1. The main exercise is run every two years. Matches were released in February 2021 but there were subsequent releases during the year and all datasets have now been uploaded to the NFI website.

2021/22 biennial exercise	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Housing benefit	7	24	24	0	1	2,210
Waiting Lists	7	102	102	1	0	0
Payroll to payroll/ creditors	2	8	8	0	0	0
Council tax reduction scheme	14	206	193	0	7	23,292
Creditors - duplicates	6	266	239	0	0	0
SBGF/ RHLG - Duplicates	4	38	37	0	5	40,815
Discretionary/ Other Grants	1	8	8	0	0	0
Value Added Tax	1	23	23	0	0	0
Procurement – payroll	2	13	13	0	0	0
Unknown grant types (between)	1	1	1	0	0	0
Individuals - more than one report	1	19	0	0	0	0
<b>Total</b>	<b>46</b>	<b>708</b>	<b>648</b>	<b>1</b>	<b>13</b>	<b>66,317</b>

4.2. Separate matching is undertaken of council tax data to the electoral roll. Data is released in December when the process to check matches begins. The council also buys a comparison against a range of other data sets in all local authorities and a new premium single person discount match. The table below shows the latest matches, numbers processed and outcomes. Premium Council Tax data is re-matched against data from a credit agency, for which the council pays a fee. Checks are now progressing on data. Council Tax matches were released in February 2021 and the table below shows statistics as at July 2022. Checks are being completed and outstanding matches are under investigation. Council tax and the electoral register have now been uploaded to the NFI website.

Data categories	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Premium council tax – SPD	1	333	333	1	12	8,889
Council Tax to HMRC household composition	1	1028	940	0	37	9,826

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Data categories	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Premium council tax – SPD electoral register	1	178	178	0	36	6,511
Council Tax rising 18s	1	28	25	0	22	0
Council Tax – Other datasets	2	2787	2787	0	28	7,089
Council Tax – All datasets	1	1780	1780	0	0	0
<b>Total</b>	<b>7</b>	<b>6134</b>	<b>6043</b>	<b>1</b>	<b>135</b>	<b>32,315</b>

## Audit assurance levels and classification of residual risk

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

## Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

**Audit type:** '1' phase one/ consultancy work; '2' phase two/ compliance testing; '1+2' full risk and control evaluation; 'F' - follow-up.