



DARLINGTON
Borough Council

Audit Committee Agenda

9.30 am

Wednesday, 28 July 2021

Council Chamber, Town Hall, Darlington

Members of the Public are welcome to attend this Meeting.

1. Introductions/Attendance at Meeting
2. Appointment of Chair for the Municipal Year 2021/22
3. Appointment of Vice Chair for the Municipal Year 2021/22
4. Declarations of Interest
5. To consider times of meetings of this Committee for the Municipal Year 2021/22 on the dates agreed in the Calendar by Cabinet at Minute C97/Feb/21
6. To approve the Minutes of this Committee held on 21 April 2021 (Pages 3 - 6)
7. Annual Review of Significant Partnerships 2020/21 –
Report of the Chief Executive
(Pages 7 - 10)
8. Annual Risk Management Report 2020/21 –
Report of the Chief Executive
(Pages 11 - 34)
9. Managers' Assurance Statements –
Report of the Group Director of Operations
(Pages 35 - 40)

10. Final Accounts Update for the year ended 31 March 2021 –
Report of the Group Director of Operations
(Pages 41 - 46)
11. External Audit Plan 2020/21 –
Report of the Group Director of Operations
(Pages 47 - 90)
12. Internal Audit Activity 2020/21 –
Report of the Audit and Risk Manager
(Pages 91 - 112)
13. Internal Audit Annual Report and Opinion –
Report of the Audit and Risk Manager
(Pages 113 - 124)
14. Treasury Management Outturn and Prudential Indicators 2020/21 –
Report of the Group Director of Operations
(Pages 125 - 146)
15. SUPPLEMENTARY ITEM(S) (if any) which in the opinion of the Chair of this
Committee are of an urgent nature and can be discussed at this meeting
16. Questions



Luke Swinhoe
Assistant Director Law and Governance

Tuesday, 20 July 2021

Town Hall
Darlington.

Membership

Councillors Baldwin, Bartch, Crudass, Lee, McEwan and Paley

If you need this information in a different language or format or you have any other queries on this agenda please contact Allison Hill, Democratic Officer, Resources Group, during normal office hours 8.30 a.m. to 4.45 p.m. Mondays to Thursdays and 8.30 a.m. to 4.15 p.m. Fridays E-Mail : Allison.hill@darlington.gov.uk or telephone 01325 405997

AUDIT COMMITTEE
Wednesday, 21 April 2021

PRESENT – Councillors Lee (Chair), Baldwin, Crudass and McEwan

APOLOGIES – Councillors Durham and Paley

ALSO IN ATTENDANCE – Michael Mason (Ernst and Young LLP)

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Allison Hill (Democratic Officer) and Chris Oates (ICT Strategy and Operations Manager)

A36 DECLARATIONS OF INTEREST

There were no declarations of interest reported at this meeting.

A37 MINUTES

Submitted – The Minutes (previously circulated) of the meetings of this Audit Committee held on 27 January 2021.

RESOLVED – That the Minutes of the Audit Committee held on 27 January 2021 be approved as a correct record.

A38 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT

The Assistant Director, Xentrall Services submitted a report to outline the progress of the implementation of the ICT Strategy, a requirement of the Chief Officer's Board (COB) to report six-monthly to the Audit Committee.

It was reported that the current ICT Strategy focusses on three strategic priorities being ICT Governance and Service Development; ICT Strategic Architecture; and Council Service Development and Transformation.

The submitted reported summarised progress on the main activities within each of the priorities.

RESOLVED – That the report be noted.

A39 ANNUAL GRANTS CERTIFICATION REPORT 2019/20

The Managing Director submitted a report (previously circulated) to present the Annual Grants Certification Report and the results of the external audit testing.

It was reported that the external audit work undertaken by Ernst and Young (EY) had

identified that the Housing Subsidy claim certified did not require a qualification letter although there were three minor errors that amounted to £12.48 in total and no amendment was made to the claim.

It was also reported that EY had identified two exceptions with regard to the Housing Pooling return; the Teachers Pension return was submitted on time and EY identified exceptions totalling £150.72 due to four members of staff being included in incorrect bandings; and the Homes England Compliance Audit Checklist for 2019/20 was also completed by EY with no issues.

EY did not identify any significant issues that required being brought to the attention of Members from any of these claims.

RESOLVED – That the report be noted.

A40 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT

The Managing Director submitted a report (previously circulated) to update Members on issue relevant to member standards and ethical governance since the last report to this Audit Committee in September 2020.

The submitted report also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and to be able to identify any unusual or significant trends or changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.

It was reported that there were no particular issues of concern that had been identified from reviewing the data.

RESOLVED – That the report be noted.

A41 INTERNAL AUDIT CHARTER AND AUDIT PLANNING

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Internal Audit Charter and the proposed approach to delivering the audit service for the coming financial year 2021-2022.

The Audit Charter outlines how combined internal audit service will be delivered to Darlington Borough Council and Stockton-on-Tees Borough Council.

It was reported that it was a requirement for the Council to have an internal audit function is outlined in Section 151 of the Local Government Act 1972; more specific requirements are detailed in the Accounts and Audit (England & Wales) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

RESOLVED – That this Audit Committee approves the Internal Audit Charter and the

rights of access conferred within.

A42 AUDIT SERVICES ACTIVITY REPORT

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and highlighted the change in approach from traditional audit assignments to individual control testing and reporting and the different approach in terms of reporting on activity to be developed further in the coming months; and the move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.

Also previously circulated was detailed feedback on the performance of the service and the position in relation to completion of audit work.

RESOLVED – That the activity be noted.

A43 INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT

The Managing Director submitted a report (previously circulated) on the progress and planned developments of the information governance programme.

It was reported delivery of the governance programme would provide the assurance required and would reduce the information risks to an acceptable level and recognises that the data processing activities of the Council continually evolve and must be kept under review.

The submitted report outlined the ongoing work which included preparation for data protection after the EU Exit transition period ends, as the highest priority in the information governance programme; review of the Council's Information Asset Register (IAR) and Privacy Notices; provision of advice to ensure the Council's CCTV is compliant with the General Data Protection Regulations/Data Protection Act 2018 and the Protection of Freedoms Act 2012; and work to achieve our target for the completion of on-line mandatory information governance training courses.

RESOLVED – That the progress on the implementation of the Information Governance Programme be noted.

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**28 JULY 2021
AUDIT COMMITTEE**

ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2020 - 2021

SUMMARY REPORT

Purpose of the Report

1. To present the outcome of the annual review of significant partnerships to enable the Audit Committee to consider the partnerships that the Council is involved with and to ensure that they have adequate governance arrangements in place.

Summary

2. Through the principles of the partnership toolkit, Darlington Borough Council (DBC) has established an approach to monitoring the significant partnerships it is involved with. As a result there are good governance arrangements in place for these partnerships. The toolkit has been effective in identifying high level concerns of the significant partnerships. The pandemic introduced urgent priorities for a number of the Partnership which in the case of the 11 to 19 partnership needed to take precedence over attending to governance actions. However, lead officers have not reported any divergence from established governance procedures.

Recommendation

3. It is recommended that the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

Reasons

4. The recommendations are supported:-
 - (a) to enhance corporate governance arrangements in significant partnerships;
 - (b) to enhance the relevance and performance of partnerships in Darlington.

**Ian Williams
Chief Executive**

Seth Pearson: Extension 6090

Background Papers

- (i) Audit Commission Report – Governing Partnerships – Bridging the Accountability Gap
- (ii) Completed Partnership Toolkit Questionnaires
- (iii) Partnership Working Toolkit Report to Cabinet 20 March 2007
- (iv) Partnership Annual Review Forms – Year Ended 31 March 2021

S17 Crime and Disorder	The Darlington Partnership and Safe and Cohesive Community Group have been key partnerships in ensuring that Safer Darlington is delivered which includes reduction of crime and disorder as a main priority.
Health and Well Being	The Darlington Partnership and the Health and Wellbeing Board have been key partnerships in ensuring that the Health and Wellbeing Strategy is delivered to improve all aspects of the health and well-being of people in Darlington.
Carbon Impact and Climate Change	The Darlington Partnership has been key in ensuring the environmental and economic sustainability of Darlington is assured.
Diversity	The Darlington Partnership have One Darlington as a key priority with an objective of a safe and caring community which supports communities and neighbourhoods to be more cohesive..
Wards Affected	All wards.
Groups Affected	All groups.
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	The Darlington Partnership have highest level responsibility for ensuring the delivery of the Corporate Plan
Efficiency	Partnerships that the Council is involved in are reviewed annually to consider outcomes delivered and resources expended.

MAIN REPORT

Information and Analysis

5. Public bodies have responsibilities in respect of their partnership arrangements in that they should for example:-
 - (a) know the partnership they are involved in and how much money and other resources they invest in them;
 - (b) take hard decisions to scale down their involvement in partnerships if the costs outweigh the benefits, or if the added risks cannot be managed properly and;
 - (c) agree and regularly review protocols and governing documents with all partners.
6. In order to demonstrate fulfilment of these responsibilities, Cabinet adopted a partnership toolkit in March 2007 (Min C174/March/07 refers). The toolkit provides a means to record that the performance of each partnership is monitored and that adequate governance arrangements are in place. The toolkit identifies partnerships currently classed as 'significant' in accordance with the definition reported to Cabinet in March 2007.
7. The methodology adopted in Darlington involves the application of the Partnership Toolkit Questionnaire which then informs an action plan to address areas for improvement in governance arrangements. The results of this process form the basis of this report. The lead officers play a key and continuing role in ensuring the good governance of the partnerships. Outstanding actions from last year's review have been addressed or are in hand.

Criteria for a Partnership to be classed as 'Significant'

8. A partnership is determined to be significant if:-
 - (a) DBC has a statutory duty or other government requirement to enter into the partnership; or
 - (b) It is a major contributor towards achieving the Sustainable Community Strategy objectives; or
 - (c) It is a major contributor towards improving the lives of children and young people or older people; or
 - (d) Takes a lead on setting the Council's policy framework; or
 - (e) DBC has the role of accountable body/lead agency and the annual expenditure of the partnership is more than £100,000; or
 - (f) DBC funds the partnership by more than £100,000 annually.

9. The partnerships identified as significant in accordance with this definition for 2020/21 are as follows:-
 - (a) 11 - 19 Partnership
 - (b) Creative Darlington
 - (c) Darlington Partnership Board (the LSP)
 - (d) Darlington Safeguarding
 - (e) Darlington Youth Offending Service
 - (f) Safe and Cohesive Community Group (was CDRP)

Performance and Governance of Partnerships 2020-21

10. An Annual Review proforma is completed by the relevant Council officer for each partnership. These are used to assess achievements against objectives, identify any areas for improvement or risk. This report gives a summary of specific remedial actions required by each significant partnership to achieve full compliance with the Council's governance requirements. In addition, the reports identify what Council resources, if any, are being used to support the partnerships. These are readily available and published on the intranet at:-

<https://www.darlington.gov.uk/your-council/communities/annual-review/>

11. This year has been extremely challenging for significant partnerships. The pandemic introduced urgent priorities they have needed to address which has meant that whilst in the main partnerships have undertaken the expected actions to continue assured good governance, this has been a challenge for some.
12. The 11 to 19 Partnership has been focused on ensuring schools are able to remain open and children are able to attend. As a consequence reviewing terms of reference or updating risk registers has not been a priority. This partnership is longstanding, with a stable membership and evidence of robust governance to date. The Lead Officer has provided assurance that the partnership continues to be well governed.
13. Other than issues related to the pandemic, funding remains an issue of concern for Darlington Safeguarding and the Safe and Cohesive Community Group.
14. The Council formally dissolved Darlington Partnership at its meeting of 15 July 2021. As part of new partnership working arrangements a Public Sector Executives Group has been established. This will constitute a Significant Partnership and will therefore be subject to being monitored through the toolkit to ensure good governance.

Outcome of Consultation

15. Consultation with the Chairs and Lead Officers of the key partnerships was undertaken in the production of this report.

**AUDIT COMMITTEE
28 JULY 2021**

ITEM NO.

ANNUAL RISK MANAGEMENT REPORT 2020/21

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Council's Risk Management processes.

Summary

2. Positive progress continues to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

Recommendation

3. It is recommended this Risk Management Report be noted.

Reasons

4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's approach to Risk Management.

**Ian Williams
Chief Executive**

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Corporate and Group Risk Registers
- (iii) Half Yearly Risk Management Report to Audit Committee 27 January 2021

Lee Downey Extension 5451

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There is no specific health and well-being impact
Carbon Impact and Climate Change	There are no specific recommendations contained within the attached reports concerning Carbon Reduction.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally
Groups Affected	All groups are affected equally
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'call-in' procedure this does not represent an urgent matter
Corporate Plan	There is no specific relevance to the Plan beyond a reflection on the Council's governance arrangements
Efficiency	Insurance premiums reflect the pro-active approach taken to risk management within the Council.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.

MAIN REPORT

Background

5. Risk Management is an essential part of effective and efficient management and planning and it strengthens the ability of the Council to achieve its objectives and enhance the value of services provided. It is also an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA/SOLACE Framework of Corporate Governance.

Information and Analysis

Strategic Risk Outcomes

6. A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. Risk matrices that reflect the updated Council structure from 1 June 2018, are attached at Appendices A-D and show the current Council Corporate and Departmental risks. *N.B. The risk matrices will be updated to reflect the Revision to the Council's Senior Management Structure agreed by [Council](#) on 28 January 2021 in the Half Yearly Risk Management Report 2021/22.*
7. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. In addition, Assistant Directors/Heads of Service are required to confirm in their Annual Managers Assurance Statements (MAS) that processes are in place to ensure that controls identified to support the positioning of risks on the risk matrices are in place and working.
8. The information that follows, provided by appropriate departmental staff, details progress made on improvement actions for those risks identified as above the risk appetite line.
 - (a) **Corporate Risks (Appendix A)** – one risk has been identified as above the risk appetite line.

(C18) COVID-19:

1. **Health and safety of the Council workforce**
2. **Health and safety of the public of Darlington**
3. **The impact on the Economy of the Borough and its population**
4. **Financial impacts on the Council of increased costs and reduced income**

- (i) In terms of mitigating this risk the Council has introduced safe working practices; is working with partners to make the public aware of risks and working to ensure compliance within businesses and other sectors in the Borough; will work with Government departments and the Tees Valley

Combined Authority to seek to limit the impacts by utilising interventions to kick start the economy; and will keep its Medium Term Financial Plan (MTFP) under constant review and take appropriate decisions to safeguard the Council's finances. The Council is also running community testing in a number of settings to help identify asymptomatic people and the roll out of the vaccinations programme by the NHS, supported locally by the Council and volunteers, to reduce the health risks particularly of the most vulnerable in the early stages of the roll out.

- (b) **Children and Adult Services (Appendix B)** – three risks have been identified as above the risk appetite line.

(C & A1) Inability to contain placement costs for children looked after.

- (i) A full Transformation and Efficiency programme is being delivered with the key objective of developing sufficient provision within or close to Darlington that meet the needs of looked after children. This includes in-house foster care, residential care and specialist provision for complex needs. Due to the changing complexities and the demand for placements not just locally, but also regionally and nationally, the work will be informed by other localities, and joint working will take place where this can add value.

(C & A8b) Increased demand for Children's services impacts negatively on budget.

- (ii) Work is ongoing within the Transformation Programme to safely reduce the level of risk in children's services. Input to this work has been enhanced with colleagues from Leeds City Council under the DfE sponsored Strengthening Families Programme. The ethos of the work will continue despite the programme formally ceasing over the next six months.

(C & A 14b) Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.

- (iii) Services are in place to screen contacts and referrals, and to respond should concerns be identified. Pathways for intervention are both internal and multi-agency, and the Council ensures that its own staff understand and apply them robustly. During the Covid-19 restrictions, each child open to children's services has a risk assessment in place to determine level of safeguarding need and appropriate visiting frequency. Children have received face to face contact from Children's teams to ensure appropriate safe living environments and services are put in place to meet their needs.

- (c) **Economic Growth & Neighbourhood Services (Appendix C)** – three risks have been identified as above the risk appetite line.

(EG & NS 13) Risk Reworded - Significant impacts arising from the reduction in available cash/resources to the local economy, Council's GF

and HRA and businesses due to the impacts of increased levels of unemployment and Universal Credit payments.

- (i) The Government has provided additional funding to meet irrecoverable Council Tax losses, a Council Tax hardship scheme, additional Business Rates reliefs and various Business Support Grants during the COVID pandemic. In addition, the Council has increased its bad debt provision.

(EG & NS18) Risk reworded - Budget implications arising from the ability to progress and complete schemes/projects in the event of further COVID-19 lockdowns

- (ii) Within the Construction industry there are a series of emerging issues. There are currently unprecedented rises in material prices with no indication of abating and high demand for trades and resource to deliver projects of all sizes. These issues are across all sectors, both private and public. Projects developed prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require Programmes & Projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised.

(EG & NS20) New Risk - Inability to cope with significant increase in homelessness cases due to new requirements by MHCLG to accommodate everyone irrespective of status in order to limit spread of COVID-19 and also increased levels of homelessness due to increased relationship breakdowns and financial difficulties.

- (iii) Additional funding has been provided by MHCLG for homeless services. More accommodation and support have been commissioned to cope with increased demand.
- (d) **Resources (Appendix D)** – no risks have been identified as above the risk appetite line.

Operational Risk Outcomes

9. The Insurance Group continues to meet representatives of the Council's insurers to examine insurance claims. The insurers are able to provide the group with an update in relation to trends and operational risks to enable continuous improvement to the health and safety culture within the organisation.
10. The key health and safety focus for the Council has continued to be to ensure effective measures are in place to manage the risks associated with the COVID-19 and protect the health and safety of staff and members of the public.
11. The corporate risk assessment COVID-19 and safe systems of work have been developed with the involvement of Public Health and in consultation with the trade unions and have been subject to regular review. Controls followed the Governments 'working safely' guidance and all these have been communicated to staff directly by managers and are available on the intranet.

12. Regular communications continue to be issued to staff regarding the importance of following the Government guidance and an on-line training module produced 'Getting back to work safely during COVID-19' for all staff to complete, providing further information and guidance on the measures in place to help keep staff safe at work.
13. Monitoring the implementation of the risk assessments and safe systems of work is carried out by managers. Managers have been issued with a specific COVID-19 secure workplace monitoring checklist to assist in effective monitoring of the arrangements.
14. A new Employee Protection Register developed in partnership with Xentrall was launched in November 2020. The system is used to inform employees when there is a potential threat to their safety through coming in contact with specific individual customers/clients and provides advice and assistance on how to minimise these risks. Such face to face situations can be either in the individual's home or in a Council building i.e. Customer Services. A warning indicator is recorded against an individual and/or property. Employees access to the system is permissions based.
15. The Reliance Protect lone working devices continue to be used as part of set of measures to reduce the risk to staff lone working. Although understandably overall usage was down on pre-pandemic numbers, owing to a reduction in face to face contacts and visits, a number of services continued to carryout vital work in the community and used the devices routinely as part of a safe system of work. Upgraded devices were issued in March 21 to 40 teams with approximately 500 staff having access to a device when lone working, the new style devices have received positive feedback on the ease of use and design.
16. The Airsweb Incident Management system was launched four months later than planned in August 2020. The system allows employees to report incidents (accidents, violent incidents, near misses) on their PC, tablet or smart device, the line manager is then automatically notified and can start the investigation process. The move to a web-based reporting system was perfectly timed, as it has enabled the reporting, recording and investigation of incidents without the need to complete and pass on paper forms. Feedback on the use of the system from employees and managers has been positive.
17. In March 2020 a new Street Works Permit Scheme was implemented in Darlington. The Council has worked with the other north east authorities over the last 18 months to develop the scheme. Studies by the Department for Transport have indicated that works durations are generally less in areas where a permit scheme operates compared with a noticing regime therefore reducing disruption to the public and road users.
18. The highway inspection & repair regime was able to operate throughout the first six months of the financial year in spite of the restrictions imposed due to COVID-19. 98.6% of highway safety inspections were carried out on schedule during the period with 98% of urgent defects repaired on time.
19. A new Report It system went live on the Council's website on 1 June 2021. This allows customers to report highway & street lighting faults via a smartphone, tablet or desktop PC. These reports are then sent to the Council's Highway Asset Management system (Symology Insight) which allocates them to the appropriate

team. Highway Inspectors receive these reports on their tablet PC's from where they are able to raise a works order and send a reply to the customer advising on what action is proposed. The website displays "pins" showing where defects have been recorded. Therefore, a customer can see if a defect has already been reported. They can also see what stage that report is at. It should be emphasised that Report It is for non-emergency defects. On visiting the site customers are advised that emergencies should be telephoned through to the Council's Contact Centre.

20. The work in recent years to convert the Street Lighting stock to LED lanterns continues to show benefits. As well as the reduction in carbon emissions and electricity costs there has been a decrease in the number of faults reported.
21. The Council has begun this year's programme of carriageway resurfacing works, including micro asphalt and carriageway recycling schemes. Highways have been given an extra £1.2 million from the Government to be spent on maintenance schemes which has been used in the design of this year's programme of works.
22. During the COVID-19 restrictions our Highway Inspectors have continued to monitor the condition of our roads and footways. During the initial lockdown only urgent works were completed however we are now working as normal while being aware of the social distancing measures which are in place.
23. The proactive tree risk management processes continue to provide positive results enabling the Council to defend the majority of storm and subsidence compensation claims received.
24. Occupational Health (OH) is a specialist branch of medicine that focuses on the physical and mental wellbeing of employees in the workplace and considers an employee's ability and fitness to perform a particular job. It has a key role in assisting to manage risks in the workplace that may have the potential to give rise to work-related ill health. The Council's service operates as an in-house model with a directly employed OH Advisor and an OH Doctor provided via a contract with Durham County Council, both of which are suitably qualified and experienced. Together their aim is to prevent work-related illness and injury by:
 - (a) Encouraging safe working practices and proactive absence management;
 - (b) Health surveillance and vaccination programmes in line with HSE recommendations, relevant to the workplace and specific job roles;
 - (c) Supporting the management of sickness absence and facilitating early return to work;
 - (d) Working with Human Resources, Health and Safety and managers to assist with policies to ensure we are health and safety compliant, including ensuring that reasonable adjustments are considered;
 - (e) Providing specific advice to managers on hazards and risks to health with work functions;
 - (f) Conducting pre-employment health assessments;

- (g) Supporting health promotion and awareness programmes;
 - (h) Providing advice and signposting around non-health related problems; and
 - (i) Challenging fit note advice from a GP to ensure a swift return to work that is suitable and safe for the employee and team.
25. During the COVID-19 pandemic and lockdowns, OH has continued to provide a service to the Council, albeit primarily as a virtual/telephone/paper assessment service. The very few face to face assessments that have been carried out have been risk assessed and safe systems of working, appropriate cleaning and PPE used.
26. COVID-19 has also impacted upon workforce capacity, including that of key services. This has included cases where staff have been infected by COVID-19, required to self-isolate or are shielding. Vulnerability assessments have been undertaken by OH for those required to shield and those returning to work, this has included both vulnerable and extremely vulnerable individuals and appropriate adjustments have been made. The Council has assisted with the rollout of the COVID-19 vaccination to eligible social care and front-line staff, with an uptake of 95% of eligible staff.
27. What is not yet known is the impact of 'long COVID' sickness absence, reduced access to NHS appointments, the availability of surgery including the associated requirement to isolate to receive treatment and the cost of those medical cases which are now more prolonged as a result of longer waiting times.
28. Sickness absence was reported as an improvement for the 2020-2021 year with 1.6 days per employee under target and 65% of employees having zero absence.
29. We continue to monitor the health of the workforce and offer support at different levels for those impacted by COVID-19 and the changes to their working environment. We have worked with partners such as our counselling and physiotherapy providers to ensure that support is available to employees throughout the pandemic and have reinforced the importance of self-referring if these services are needed.
30. Mental Health First Aiders and Mental Health Mentors have continued to be an asset to the workplace and the Council has continued to promote their availability via 'Teams' and telephone for confidential chats where employees are offered a listening ear and signposted to further help where applicable.
31. Wellbeing activities and events will continue to be a key feature of the wellbeing strategy. In 2020/21 we engaged with employees over 40 different events, given restrictions, most sessions have taken place remotely but we have continued to ensure that staff working on the front line have received wellbeing advice too especially from a mental health point of view. We also continued to promote health and wellbeing via various online campaigns including an Advent Calendar, February Self Care Challenge and March Positive Photo Campaign all of which were popular, with a total of 8305 intranet hits.
32. It is the intention that health promotion and awareness will continue to be a focus for monthly Wellbeing Champion posters. These continue to be popular talking

points for team meetings. Occupational Health briefings also continue to promote and raise awareness of health and we continue to target localised health interventions and topical messages to groups/teams.

33. In the recent Working from Home Survey, 67% of staff agreed or strongly agreed that working from home had a positive impact on their physical and mental health, 85% of employees agreed or strongly agreed that they have been able to strike a better work/life balance. Absence figures for those working from home seem to support this, as they dropped by 3.4 days per FTE compared to 2019-20.
34. An area to watch over the coming year is Musculoskeletal absence from employees working from home. We are starting to record and collate evidence of education and support to employees working from home as there is already a trend in claims starting nationally (none for DBC). We have given a lot of advice over the last year and continue to promote DSE assessments, there is also the furniture allowance and employees have been allowed to take their desks/chairs and accessories home. Managers are also tasked with reminding employees to raise appropriate seating positions and posture whilst working from home.
35. Housing and Building Services has continued to adapt and develop how it operates to ensure the provision of a high level service to Council tenants whilst operating within a COVID safe environment. This includes:
 - (a) Introducing Docu-sign, an electronic signature system to reduce face to face appointments as part of our lettings and sign up process for tenants;
 - (b) 90% of Housing Income staff continue to work from home primarily, attending the office on a rota basis for printing purposes and court paperwork preparation;
 - (c) Recovery action on rent income is moving to the next phase following court hearings and evictions re-commencing in June;
 - (d) An online appointment system to book appointments for public PC's and face to face meetings in the Customer Services Centre is due to be implemented in the next couple of months. This will allow the Council to manage security and resources better, especially with a lot of services still working from home;
 - (e) Security improvements have been made to the digital tenancy platform, Darlington Home Online;
 - (f) A Housing Facebook page has been set up to improve communication with customers, making it easier for the department to reach out and advertise services and for customers to contact us;
 - (g) Website improvements have been made to make it easier for customers to use digital as a default to resolve queries through self-service;
 - (h) Housing Schemes (Extra Care, Good Neighbour and Sheltered) have continued to operate in a COVID secure manner with restrictions on visitors in line with government guidelines; and

- (i) Emergency Homeless presentations are triaged via telephone by the Housing Options Team or the Emergency Duty team in line with COVID restrictions.

Conclusion

- 36. The Council's pro-active approach to risk management continues to produce positive results for the Authority.

Outcome of Consultation

- 37. There has been no formal consultation in the preparation of this report.

RISK MATRIX

CORPORATE RISK REGISTER

LIKELIHOOD	A Very High				
	B High				
	C Significant			18	
	D Low			3, 4, 17	
	E Very Low		1		
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

CORPORATE RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	Dave Winstanley	None at E/III		
C3	Corporate Premises Risks	Ian Williams	None at D/II		
C4	Business Continuity Plans not in place or tested for key critical services	Dave Winstanley	None at D/II		
C5	Council unable to meet its obligations under the information governance agenda	Elizabeth Davison	Deleted from D/II	The Council has delivered its GDPR Implementation Programme and this risk is no longer significant enough to warrant it remaining on the Corporate Risk Register	
C17	Risk Reworded As a result of Brexit and Covid-19, cost and availability of material is impacting on projects	Ian Williams	None at D/II		

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C18	COVID-19: 1. Health and safety of the Council workforce 2. Health and safety of the public of Darlington 3. The impact on the Economy of the Borough and its population 4. Financial impacts on the Council of increased costs and reduced income	Ian Williams	None at C/II		See main body of report at paragraph 8 (a) i

RISK MATRIX

CHILDREN AND ADULT SERVICES

LIKELIHOOD	A Very High				
	B High			8b	
	C Significant		9b, 16	1	
	D Low		18	3a, 3b, 5, 9a, 10, 14a, 15	14b
	E Very Low			8a	
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

CHILDREN AND ADULT SERVICES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C&A 1	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	Jane Kochanowski	None at C/II		See main body of report at paragraph 8 (b) i
C&A 3a	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	Jane Kochanowski	None at D/II		
C&A 3b	Risk Reworded Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service	Linda Thirkeld	None at D/II		

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C&A 5	Failure to identify vulnerable schools and broker appropriate support to address needs	Tony Murphy	None at D/II		
C&A 8a Adult	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	Linda Thirkeld	None at E/II		
C&A 8b	Increased demand for Children's Services impacts negatively on budget	Jane Kochanowski	None at B/II		See main body of report at paragraph 8 (b) ii
C&A 9a	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	Christine Shields	None at D/II		
C&A 9b	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	Christine Shields	None at C/III		

C&A 10	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	Linda Thirkeld	None at D/II		
C&A 14a	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	Linda Thirkeld	None at D/II		
C&A 14b	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures	Jane Kochanowski	None at D/I		See main body of report at paragraph 8 (b) iii
C&A 15	Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway	Penny Spring	None at D/II		
C&A 16	Risk of unsuccessful mobilisation of new service - Support, Recovery and	Penny Spring	None at C/III		

	Treatment In Darlington through Empowerment (STRIDE)				
C&A 17	Impact of NECA not retaining the Drug & Alcohol Contract on the Stop Smoking Service - Will the provider be able to manage the Stop Smoking staff if the Gate is no longer used by the Service	Penny Spring	Removed from C/III	New provider now in place	
C&A 18	Impact of COVID-19 on team capacity	Penny Spring	None at D/III		
C&A 19	New Director of Public Health transition	Penny Spring	Removed from D/III	Director of Public Health recruited and established in role	

RISK MATRIX

ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

LIKELIHOOD	A Very High				
	B High				
	C Significant		9	13, 18, 20	
	D Low			1, 7, 8, 12, 17, 19	
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
EG & NS 1	Investment in regeneration projects is not delivered	Ian Williams	None at D/II		
EG & NS 7	Financial implications of Maintaining and conserving key capital assets within the borough	Guy Metcalfe/ Anthony Sandys/Dave Winstanley	None at D/II		
EG & NS 8	Ability to adequately address the affordable housing requirement	David Hand	Removed from D/II	Outside the Council's control to a large extent	
EG & NS 9	Delay to new Local Plan	David Hand	None at C/III		
EG & NS 12	Planning Performance at risk of Standards Authority intervention	David Coates	Increased to D/II	High volume of planning applications	
EG & NS 13	Significant impacts arising from the reduction in available cash/resources to the local economy, Council's GF and HRA and businesses due to the impacts of increased levels of unemployment and Universal Credit payments	Anthony Sandys	None at C/II		See main body of report at paragraph 8 (c) i

EG & NS14	Regulatory risks associated with provision of services including Street Scene Environmental Services, Building Services (Gas, Legionella, etc.) and the Lifeline service	Ian Thompson / Anthony Sandys	Deleted from D/II	These risks are managed effectively as part of day to day operations and no longer warrant inclusion on the Risk Register	
EG & NS16	Delay in delivering replacement cremators resulting in failure of existing equipment and therefore closure of the service	Ian Thompson	Deleted from D/II	Included in updated Corporate Risk C17	
EG & NS17	Impact of COVID-19 on customers and audiences on confidence to return to leisure and cultural facilities	Ian Thompson	None at D/II		
EG & NS18	Risk reworded Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further COVID-19 lockdowns & further construction inflation, material supply and resource demands	Dave Winstanley	Increased to C/II	Increased from D/II as construction sector inflation and demand on resources materialising and showing no signs of abatement or easing	See main body of report at paragraph 8 (c) ii

EG & NS19	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	Dave Winstanley	None at D/II		
EG & NS20	Inability to cope with significant increase in homelessness cases due to new requirements by MHCLG to accommodate everyone irrespective of status in order to limit spread of COVID-19 and also increased levels of homelessness due to increased relationship breakdowns and financial difficulties	Anthony Sandys	None at C/II		See main body of report at paragraph 8 (c) iii

RISK MATRIX

RESOURCES

LIKELIHOOD	A Very High				
	B High				
	C Significant		1, 9, 26		
	D Low		2, 5		
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

RESOURCES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
RE1	VAT partial exemption breach due to exempt VAT being close to the 5% limit	Elizabeth Davison	None at C/III		
RE2	Fraud in General	Andrew Barber	None at D/III		
RE3	ICT security arrangements inadequate	Ian Miles	Deleted from D/III	ICT security arrangements are certified to ISO27001	
RE5	Increased sickness absence adversely affects service delivery	Elizabeth Davison	None at D/III		
RE9	Instability within financial markets adversely impacts on finance costs and investments	Elizabeth Davison	None at C/III		
RE26	Joint Venture arrangements impacted by a slowdown in house building	Elizabeth Davison	None at C/III		

**AUDIT COMMITTEE
28 JULY 2021**

ITEM NO.

MANAGERS' ASSURANCE STATEMENTS

SUMMARY REPORT

Purpose of the Report

1. To report outcomes from the completed 2020/21 Managers' Assurance Statements (MAS).

Summary

2. The report emphasises that MAS are a key element of the Council's corporate governance arrangements and based on the 2020/21 returns concludes that a thorough review has been undertaken and generally an overall positive position was identified. While there were no common improvement themes highlighted in the 2020/21 MAS, a number of improvements to process/controls were identified. These matters are to be progressed by Assistant Directors during 2021/22.

Recommendation

3. It is recommended that the contents of the report be noted.

Reason

4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Elizabeth Davison
Group Director of Operations**

Background Papers

Managers' Assurance Statements 2020/21

Lee Downey: Extension 5451

S17 Crime and Disorder	The MAS includes reference to the need for staff to be aware of and understand the requirements of the Council's Anti-Fraud and Corruption arrangements.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	There are no specific recommendations contained within the attached reports concerning Carbon Reduction.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	There is no specific relevance to the Plan beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	There are no specific recommendations contained within the attached reports concerning Looked After Children and Care Leavers.

MAIN REPORT

Information and Analysis

5. Annual MAS are a key element of the Council's corporate governance arrangements and an integral part of the framework that supports the production of the Annual Governance Statement (AGS).
6. MAS have been formally completed for a number of years and this Committee has previously received reports on the outcomes that depicted a largely positive position.
7. The MAS takes the form of a standard template covering the key aspects of the Council's internal control environment on which assurance is required. This coverage is wide ranging and includes risk and financial management, health and safety, information governance and HR arrangements. In providing this assurance the MAS also states that *'the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness'*.
8. Statements have been completed by all Assistant Directors or Heads of Service and endorsed by the appropriate Director, covering their areas of responsibility in 2020/21. They are published on the [intranet](#) and are available on request.
9. There were no common improvement themes highlighted by the 2020/21 MAS.
10. A number of improvements to process/controls were identified, including in many cases where the Assistant Director was already able to provide assurance in relation to a particular issue. These included:

Adult Social Care

- (a) Ensure all managers including those new to the service have attended the appropriate training in relation to the Council's risk management methodology.
- (b) Risk Management will be understood and owned by all managers within the service.
- (c) Business Continuity will be understood and owned by all managers within the service.
- (d) Managers fully understanding the performance management framework and being accountable for oversight of this.
- (e) Robust arrangements are in place to ensure compliance with financial procedural rules. Understanding by all staff of their role in this process.
- (f) Ensuring new staff are fully aware of requirements in relation to the Council's Financial Management and Reporting Framework.

Commissioning Performance and Transformation

- (a) Business Continuity Plan (BCP) up to date and tested during COVID, learning has been incorporated and we will review again in September 2021 to incorporate systemwide winter planning.

Community Services

- (a) Need to ensure inventories are complete for all areas by December 2022.

Economic Growth

- (a) New Local Plan will require more robust monitoring and reporting mechanisms. These to be developed alongside Local Plan submission.

Education

- (a) Covid-19 related risk assessment work undertaken with regard to maintained schools/nurseries and home to school transport arrangements (Health & Safety).
- (b) Further development of information management procedures in SEN service being undertaken in future state procedures work.

Housing and Building Services

- (a) Continue to work with the Civil Contingencies Team to review Business Continuity Plans as appropriate. Undertake reviews and testing of all BCPs in 2021-22.
- (b) Procedural notes/manuals that reflect the Health and Safety Policy to be reviewed at every team meeting and compliance meeting. Reviews of Health and Safety risk assessments due in 2021-22.

Resources

- (a) BCP's reviewed during the year. In particular with reference to learning from COVID-19 and reflect the outcomes of the proposed Agile Working Policy being developed.
- (b) All new staff to attend the new mandatory equalities training subject to sessions being made available.

Transport & Capital Projects

- (a) Develop BCP and test regularly for identified priority service areas.
- (b) Review at Group level to refresh Performance Management and Clinic information to align with new structures and Medium Term Financial Plan (MTFP) targets – Ongoing review and refinement.

- (c) Inventories are being updated and amended to reflect move to Agile working as a result of Covid-19.
- (d) Training/Awareness/refresher session to be programmed in Divisional Senior Leadership Team (SLT) in relation to role of the Section 151 Officer.

These matters are to be progressed by Assistant Directors during 2021/22.

Conclusion

11. Generally the review of the 2020/21 MAS has identified an overall positive position. All of the identified improvement themes are to be progressed by Assistant Directors during the 2021/22 financial year.

Outcome of Consultation

12. There was no formal consultation undertaken in production of this report.

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AUDIT COMMITTEE 28 JULY 2021

FINAL ACCOUNTS UPDATE FOR THE YEAR ENDED 31 MARCH 2021

SUMMARY REPORT

Purpose of the Report

1. To provide Members with an update on the situation with regards to the Council's Annual Statement of Accounts (SoA) and Annual Governance Statement (AGS) for 2020/21.

Summary

2. Due to the ongoing Covid 19 pandemic the Accounts and Audit (Amendment) Regulations 2021 have been issued to update the statutory deadlines for publication of annual accounts. Whereas the original date for publication (and approval) was 31 July 2021 this has now been amended to 30 September 2021 as was mentioned in a report on the Redmond review to this Committee on 27 January 2021.
3. Although the Council is still following these dates and will have its unaudited SoA and AGS on the website by 31 July 2021, we have been informed by our external auditors Ernst & Young (EY) that they will not be in a position to deliver the audit by the 30 September 2021 and will look to perform the audit throughout October and early November. **Appendix 1** is an open letter to Chief Finance Officers and Audit Committee Chairs setting out the national stance of EY and the circumstances and background behind the position taken.
4. The legislation states that if audited accounts are not ready to be published by the 30 September then a statement explaining the reasons for the delay should be published instead.
5. All of the above will mean that there will need to be, with the permission of the Chair, a special Audit Committee called in December 2021 to ensure the SoA and AGS is approved as quickly as possible.

Recommendation

6. Members are asked to note the above.

Reasons

7. The recommendations are supported to provide the Audit Committee with evidence to reflect on progress in delivery of the 2020/21 Statement of Accounts.

**Elizabeth Davison
Group Director of Operations**

Background Papers

Code of Practice on Local Authority Accounting in the UK 2020/21

Peter Carrick: Extension 5401

S17 Crime and Disorder	There is no specific crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	Some of the initiatives contained within ICT Strategy will help contribute towards the carbon reduction commitments.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	There is no specific relevance to the Plan beyond the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.

Addressed to Chief Financial Officers and Audit Committee Chairs for
PSAA audited bodies (Local Government, Police and Crime
Commissioners, Chief Constables, Fire and Rescue Authorities)

1 June 2021

Ref: JD/NH

Direct line:

Sent by email

Email: jdawson1@uk.ey.com

Dear Chief Financial Officer and Audit Committee Chair

Scheduling high-quality 2020/2021 local public audits

In February 2020, I wrote to you to address the concerns we all share regarding the sustainability of financial reporting and auditing in England. Since then, we have collectively had to respond to all the unprecedented challenges that have arisen following the coronavirus pandemic (Covid-19). Thank you for the way you and your officers have responded to these difficult circumstances in the public interest and supported my teams with our audits.

Over the past six months, the Sir Tony Redmond review, Ministry of Housing, Communities and Local Government (MHCLG) response and recent consultations on 2020/2021 reporting timetables have sought to put in place measures to address the much needed stability of the local public audit market.

The National Audit Office's (NAO) recent report on the timeliness of local auditor reporting in England explored the factors that have led to the increasing delays to the delivery of audited financial statements. We contributed to this review and recognise most of the NAO's findings. In particular we agree with the NAO's comments that the Covid-19 pandemic has had a significant impact on the delivery of the 2019-2020 audits, the financial position of audited bodies and exacerbated problems which already existed within the local audit landscape.

I want to set out the principles which will guide the scheduling of our 2020/2021 external audits and how we will work with you as and when Covid-19 restrictions are eased. This will support conversations your Audit Partner will be having with you as we plan and deliver your 2020/21 external audit.

Context guiding our scheduling of 2020/21 external audits

On the 31st March 2021, MHCLG's amendments to the 2021 Accounts and Audit Regulations came into force. This sets an expectation that you have up to the 1st August 2021 to publish draft financial statements, and the target date for the publication of audited accounts is 30 September 2021.

We have said in response to MHCLG's consultation on the reporting timetable that we do not believe this is realistic or sustainable for the following reasons:

- The continuing impact of Covid-19 restrictions on the financial reporting and audit cycle across the corporate and public sectors. Our UK Head of Audit wrote to your peers for our corporate audits on 27th January 2021 setting out the impact on reporting timetables, reinforcing guidance issued from the Financial Conduct Authority and the Financial Reporting Council (FRC). This letter is appended for your information.
- Impact of later completion for remaining 2018/2019 and 2019/2020 local public audits, and the delay that has resulted in starting 2020/2021 audits. Practically, this means significantly more audit work will be required in the final stage of our audits in August and September 2021 than is usual, especially as little interim procedures have been performed by 31st March.
- We expect and do understand why some of you will take the opportunity of getting ready to produce draft accounts by the 1st August. However, doing so leaves auditors only two months to complete the audit, including the month of August when we anticipate with the lifting of Covid-19 restrictions, your officers and our staff may plan to take annual leave.
- One of the many issues recognised by the Redmond review is that there are insufficient numbers of skilled and specialist local auditors to deliver local audit within such a shortened timeframe. The implication of the reporting timetable is to require auditors to move at an even faster pace to catch up, which does not safeguard audit quality and our professional standards. We are also concerned that this timetable could do irreparable damage to the attractiveness of the local audit profession.
- Additional work required by finance teams and auditors to respond to the increasing complexity of decision making, including commercialisation and group accounting. Covid-19 has exacerbated this and led to greater levels of estimation, uncertainty and risk in financial reporting and financial sustainability. This will continue to require additional procedures for your teams and ours, including the use of specialists and navigating professional practice consultations.
- Other jurisdictions such as Audit Scotland are proposing to revise the 2020/2021 local authority reporting timetable to the 30th November 2021 in recognition of these circumstances.

Delivering our 2020/2021 external audits

We have said to MHCLG, NAO and Public Sector Audit Appointments Limited (PSAA) that our approach will continue to be to plan and perform our audits to safeguard our highest standards of quality. The FRC are currently inspecting a sample of our 2019/2020 audits but have recognised the good quality of our local public audits last year.

We believe a high-quality audit is even more important in these challenging and unprecedented times and will not compromise or reduce our expectations. We will provide our audit opinion when we are satisfied that we have performed sufficient quality work to support our judgements, rather than by a certain and potentially unrealistic date. This means we will be scheduling a number of 2020/2021 external audits for completion after the 30th September 2021.

I am aware some but not all of you will have already had discussions with your Audit Partner on provisional timetables. I do encourage you and the Audit Partner to collectively consider all the challenges that have arisen since Covid-19 restrictions and make an informed joint assessment on a realistic and achievable timetable that ensures the quality of financial reporting and audit is not compromised. This assessment should consider the finance and audit team constraints and the complexity of the financial reporting and audit process.

Each of our regional office leads is finalising their delivery plan for the 2020/21 external audits. The proposed timing of your external audit is being determined using a consistent set of principles to ensure we have a fair and equitable basis for scheduling audits before the 30th September 2021 and those afterwards. These principles include the plans to conclude overdue 2018/19 and 2019/20 external audits, our assessment of your preparedness for audit, expectation on level of audit errors and findings, the degree of risk and complexity including any significant changes since the prior year and maximising our availability of qualified and experienced audit staff and specialists.

Ways of working

I am aware that you will be having ongoing dialogue with MHCLG on how the easing of Covid-19 restrictions will impact on your operations and ways of working, now and in the future.

Generally, we have found that our technology (EY Canvas, EY Canvas portal and Microsoft Teams) has been successful and resilient, supporting high-quality audits. This has led to more flexibility and agility on the way in which remote audits are conducted. We intend to follow these working practices again with you and your teams for the 2020/2021 audits, and therefore I am not expecting full-time on-site audit presence. These principles will also support how we work with you on our move to an increasingly digital and data-driven audit in the future.

In addition, your Audit Partner and Engagement Manager have been more productive and flexible by their ability to attend more meetings virtually, eliminating significant travel time and contributing to our net carbon targets. I am not expecting our more senior staff to be attending meetings with management and Audit Committees in person in every case when restrictions are eased.

I do recognise though that there may be circumstances which mean we do need to be flexible and proportionate. I have asked your Audit Partner and Engagement Manager to discuss with you and your finance team and arrive at a shared understanding on the planned working arrangements and approach this year. This is particularly important to support discussions with new members of Audit Committees post the May 2021 local elections.

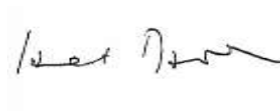
Next steps

I am keen that we have a collective and combined focus to work together and navigate the challenging months ahead and, importantly, to agree the proposed timing of your 2020/21 external audit and how we work with you this year.

We are continuing to work with MHCLG, CIPFA/LASAAC, ICAEW, NAO and PSAA to share our point-of-view on those areas that are critical to stabilise the local public audit system and improve the sustainability of financial reporting and audit in England, and I provided evidence to the Public Accounts Committee last month on those issues. We will be responding to further consultations from MHCLG and others on the implementation of the Redmond recommendations. We will also be considering the implications for financial reporting and local public audit following the recent Department for Business, Energy & Industrial Strategy consultation on reforms to corporate governance and the audit profession. Your Audit Partner will be able to discuss our point of view with you and at your future Audit Committee meetings.

In the meantime, if you have any questions on this letter, please do not hesitate to contact me using the details provided.

Yours faithfully,



Janet Dawson
UK Government and Public-Sector Assurance Leader
Ernst & Young LLP

**AUDIT COMMITTEE
28 JULY 2021**

ITEM NO.

EXTERNAL AUDIT PLAN 2020-21

SUMMARY REPORT

Purpose of the Report

1. To present the External Audit Plan for 2020-21.

Information and Analysis

2. Attached at **Appendix 1** is a copy of the External Audit Planning Report for 2020-21 prepared by the Council's appointed external auditors, Ernst & Young (EY).
3. A representative from EY will attend the meeting to present the Plan.

Recommendations

4. It is recommended that the External Audit Plan for 2020-21 be noted.

Reason

5. The recommendation is supported to enable the Audit Committee to consider the content of the External Audit Plan 2020-21.

**Elizabeth Davison
Group Director of Operations**

Background Papers

External Audit Plan 2020-21

Peter Carrick: Extension 5401

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	There is no specific relevance to the Plan beyond the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.



Darlington Borough Council Audit Planning Report

Year ended 31 March 2021
July 2021



14 July 2021

Darlington Borough Council
Town Hall
Feethams
Darlington
DL1 5QT

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 28 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Henshaw, Associate Partner

For and on behalf of Ernst & Young LLP

Contents



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

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition - inappropriate recognition of grants with terms and conditions attached, inappropriate capitalisation of revenue expenditure and omission of expenditure from the financial statements	Fraud risk/ Significant risk	Change in focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Our judgement is that the significant risk at the Council relates to the improper recognition of grants with terms and conditions attached, the improper capitalisation of revenue expenditure and the omission of expenditure from the financial statements. We will therefore target our audit work in these areas. We note from our initial discussions with management, that Covid-19 funding in excess of £83 million has been received during 2020/21. We will specifically consider this funding stream as part of our consideration of grants with terms and conditions.</p>
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of land and buildings and investment properties	Inherent risk	No change in risk or focus	Land and buildings are the most significant balance in the Council's balance sheet. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements. As in previous years, this risk primarily relates to hard to value assets.
Pension liability valuation	Inherent risk	No change in risk or focus	The pension liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions. A small movement in these assumptions can have a material impact on the balance sheet.
Group accounts	Inherent risk	No change in risk or focus	<p>The Council is working in conjunction with Esh Homes Limited to develop four housing projects in the borough. The Council owns a 50% share in these projects, which are at various stages of completion. It is expected that these projects will deliver in excess of £3.6 million of pre-tax profits by 2026/27.</p> <p>The CIPFA Code requires the Council to consider both qualitative and quantitative factors of its joint arrangements to assess if group accounting is required to reflect the Council's share of the joint ventures in the financial statements.</p>

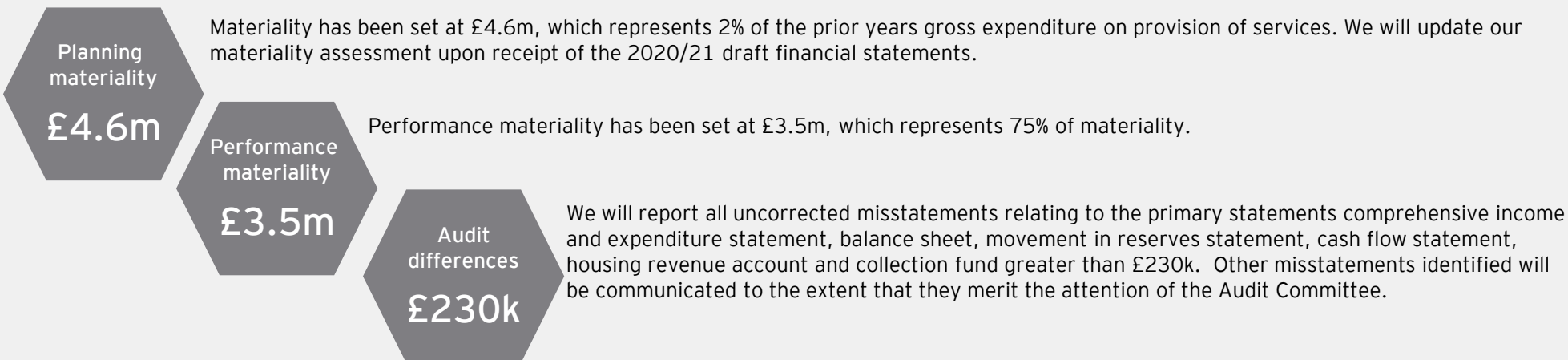
Overview of our 2020/21 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Arrangements for use of financial resources	Significant value for money risk	To be confirmed whether this remains a risk	For 2019/20 we identified significant value for money risks in relation to Arrangements for use of financial resources. The 2020 Code of Audit Practice issued by the National Audit Office has changed the focus of our Value for Money work and our detailed risk assessment procedures are underway. We will update the committee with details of any significant risks identified upon conclusion of these risk assessment procedures.

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Materiality



Overview of our 2020/21 audit strategy

Audit scope

This audit planning report covers the work that we plan to perform to provide you with our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended. We are required to design our work to provide sufficient assurance to enable us to report a commentary against specified reporting criteria on the arrangements that the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

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

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

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

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

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

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit. Our professional standards require us to determine where our assessment of risk and the work needed to meet our professional responsibilities changes. In those circumstances we seek additional fee for the additional work undertaken. You will be aware that scale fees have not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting and auditing standards, such as ISA 540(UK) (revised) - Estimates and ISA 570(UK)(revised) going concern, as well as the new NAO Code requirements on the Value for Money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Darlington Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



Our response to significant risks

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

Risk of fraud in revenue and expenditure recognition - inappropriate recognition of grants with terms and conditions attached, inappropriate capitalisation of revenue expenditure and omission of expenditure from the financial statements*

What is the risk?

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

Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimising the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.

Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, the potential improper capitalisation of revenue expenditure and the omission of expenditure from the financial statements with specific focus on year end cut off and manual adjustments. We will therefore target our audit work in these areas. We note from our initial discussions with management, that Covid-19 funding in excess of £83 million has been received during 2020/21. We will specifically consider this funding stream as part of our consideration of grants with terms and conditions.

What will we do?

We plan to perform the following procedures to address the risk:

- ▶ Test a sample of grant income to underlying evidence of award to check that revenue has been recognised in line with any terms and conditions attached to the funding;
- ▶ Request management to prepare an analysis of all Covid-19 funding received in year, along with the proposed accounting treatment for each funding stream. We will select a sample of Covid-19 funding, review evidence of award to check with terms and conditions and conclude on whether management's treatment of the funding in the financial statements is appropriate;
- ▶ Test a sample of capital additions recognised in year to ensure that they are capital in nature and should not have instead been recognised as expenditure in the Comprehensive Income and Expenditure Statement;
- ▶ Review and challenge management on any accounting estimates relating to revenue or expenditure recognition, such as manual accruals, for evidence of bias; and
- ▶ Review a sample of expenditure transactions recorded in the ledger and payments made from bank accounts post year-end and confirm that the associated expenditure has been recorded in the correct period.

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2019/20 financial statements:

Income Account: £249.4m

Expenditure Account: £231.7m

Our response to significant risks (continued)

Misstatements due to fraud or error*

What is the risk?

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

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

What will we do?

- ▶ Identifying fraud risks during the planning stages of our audit;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud;
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Valuation of Land and Buildings

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

What will we do?

We plan to perform the following procedures to address the risk:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code for PPE and annually for IP.
- ▶ We will consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements,

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Durham County Council. The Council's Pension Fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020, this totalled £186.7 million. The information disclosed is based on the IAS 19 report issued to the Council by the Council's actuary. Accounting for this scheme involves significant estimation and judgement. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We plan to perform the following procedures to address the risk:

- ▶ Liaise with the auditors of Durham County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Darlington Borough Council;
- ▶ Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?

Group Accounts

In 2019/20, the Council produced Group accounts, in order to include the joint venture arrangements with Esh Homes Limited. The Council owns 50% of the share capital of the joint ventures in place.

To assess if group accounting is required, the CIPFA Code requires an assessment of arrangements on a qualitative basis first, and then on a quantitative basis. Management should revisit the Group assessment annually, based on the most up-to-date information, to determine if the Group financial statements require additional entities to be incorporated within the consolidation.

What will we do?

We plan to perform the following procedures to address the risk:

- ▶ Review the Council's Group boundary assessment to ensure that it is complete and all Group entities have been identified;
- ▶ Review the Council's assessment of qualitative factors such as whether the Council is exposed to any commercial risk through its involvement with the potential Group entities, in order to ensure the assessment is appropriate; and
- ▶ Test the Council's quantitative assessment by agreeing all values included in the assessment to audited financial statements for each of the potential Group entities.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

What will we do?

The revised standard requires:

- ▶ Auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ Greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ Improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ A stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ Necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.



Audit risks

Ongoing impact of Covid-19

Other potential impacts of Covid-19

The ongoing disruption to daily life and the economy as a result of the pandemic will continue to have a pervasive impact upon the financial statements, which will need to reflect the impact of the pandemic upon the Council's financial position and performance. We have not identified further significant risks or areas of audit focus relating to Covid-19, other than those set out previously in this plan, but wish to highlight the wide range of ways in which Covid-19 has or could impact the financial statements.

This includes, but is not limited to:

- ▶ LGPS liabilities - due to volatile market conditions, we have noted from other audits that the share of year end asset values has decreased significantly. We would therefore expect a decrease in the year end asset values of the Council.
- ▶ Collection Fund receipts - there may be an impact on collection rates for council tax and non-domestic rates if residents and businesses are unable to work and earn income due to the lockdown and other restrictions implemented to respond to the pandemic. For the current year's statements, this may impact the level of provision made against outstanding balances at 31 March 2021.
- ▶ Valuation of investments - the valuation of investments may be made more difficult due to the market volatility brought about by the impact of Covid-19.
- ▶ Expected Credit Losses - there may be an increase in the amounts written off as irrecoverable and the impairment of balances due to the Council at the reporting date due to the increased number of business and individuals unable to meet their financial obligations.
- ▶ Holiday and sickness pay - the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- ▶ Annual Governance Statement - the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on their ability to complete the planned programme of work for 2020/21.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on our ability to complete the audit as efficiently as normal. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will also be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

The changes to audit risks and audit approach will change the level of work we perform. This will impact the audit fee. We will agree changes to the audit fee with management and report back to the Audit Committee.



03

Value for Money Risks



Value for money

Council responsibilities for value for money

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

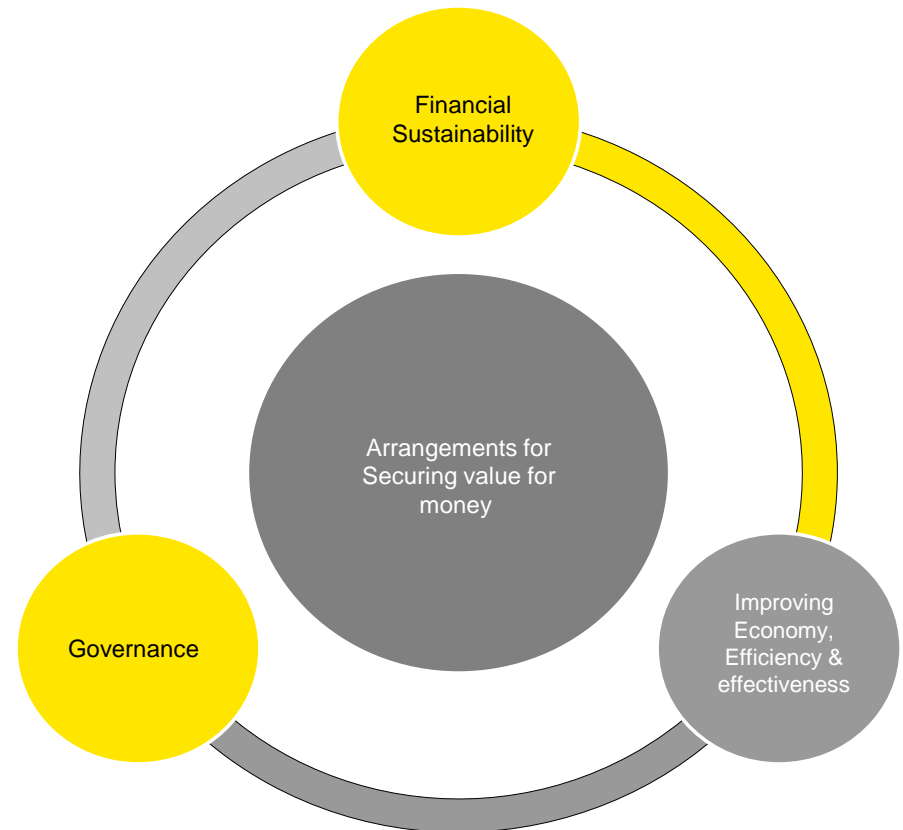
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its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

Auditor responsibilities under the new Code

Under the 2020 Code of Audit Practice (the Code), issued by the National Audit Office, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. However, there is no longer overall evaluation criterion which we need to conclude upon. Instead the Code requires the auditor to design their work to provide them with sufficient assurance to enable reporting to the Council in a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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





Value for money risks

Planning and identifying VFM risks

The Code's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to the 2015 Code guidance notes where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

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

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

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

- ▶ Exposes (or could reasonably be expected to expose) the Council to significant financial loss or risk;
- ▶ Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to (or could reasonably be expected to lead to) unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

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



Value for money risks

Responding to identified risks

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

We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to conclude on our detailed Value for Money planning procedures. We will update the Audit Committee on the outcome of our VFM planning procedures, our resulting risk assessment and our planned response to any identified risks of significant weaknesses in arrangements at a future Audit Committee meeting.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £4.6m. This represents 2% of the Council's prior year gross expenditure on provision of services. We will update our materiality assessment upon receipt of the 2020/21 draft financial statements. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Gross expenditure
on provision of services
£231.7m

Planning
materiality
£4.6m

Performance
materiality
£3.5m

Audit
differences
£230k

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

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.5m which represents 75% of planning materiality. We have used a threshold of 75% as our experience from prior year audits means that we do not anticipate identifying a significant number of audit adjustments.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund greater than £230k.

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



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code. We are required to design our work to provide sufficient assurance to enable us to report a commentary against specified reporting criteria on the arrangements that the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

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

Procedures required by standards:

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code:

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

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

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The methodology and approach we need to take in this area have changed under the Code of Audit Practice with effect from 2020/21. Under the revised Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion on which we need to conclude upon. Instead, the Code now requires the auditor to design their work to provide sufficient assurance to enable them to report to the Council in a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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

Scoping the group audit

Group audit team involvement in component audits

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

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Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. Note that these apply only for the purposes of the consolidated financial statements.

Darlington Borough Council	Full scope audits
Eastbourne Joint Venture	Specific scope audits
Heighington Joint Venture	Specific scope audits
Middleton St George JV Limited	Specific scope audits
West Park Limited	Specific scope audits

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts. Our planning procedures have identified the following accounts as potentially material to the group financial statements:

- ▶ Expenditure;
- ▶ Income; and
- ▶ Balance sheet items such as property, plant and equipment.

Group audit team involvement in component audits

Each joint venture is audited by PwC, we will review the audited financial statements to assess whether the correct balances have been used in the council's equity accounting calculation. The figures recognised in the Council's accounts are highly immaterial.



06

Audit team



Audit team

Helen Henshaw is the partner responsible for the overall quality and delivery of the audit service. A new audit manager will be in place for the 2020/21 audit, an introduction to Management and the Audit Committee will take place in due course. Helen is currently supported by Michael Mason who was the Audit Manager in 2019/20.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team - Review the valuation report prepared by Align Property Services
Pensions disclosure	EY Actuaries - Review of pension report prepared by PwC

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

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

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



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

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

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	March		
Walkthrough of key systems and processes and interim audit testing	April		
	May		
	June		
	July	Audit Committee	Audit Planning Report
	August		
	September		
Year end audit Audit Completion procedures	October		
	November		
	December	Audit Committee	Audit Results Report Audit opinions and completion certificates Auditor's Annual Report



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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

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

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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

Other communications

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: [EY UK 2020 Transparency Report](#)



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Appendices



Appendix A

Fees

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

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

	2020/21 Fee	2019/20 Fee
	£	£
Scale Fee	71,813	71,813
Rebasing of the scale fee to deliver an audit to meet regulatory requirements (Note 1)	25,087	25,087
Covid-19 Impact (Note 2)	TBC	13,317
Revisions (Revised auditing standards ISA 540 and ISA 570)	TBC	N/A
Revision (New Code of Audit Practice/VFM requirements)	TBC	N/A
Total audit	TBC	110,217
Non-audit work - Housing benefits certification work	TBC	10,500
Non-audit work - Teachers' pension certification work	TBC	5,500
Non-audit work-Home England Grant	We have communicated to management that we will not be undertaking this work in 2020/21	4,000
Non-audit work- Pooling of capital receipts	TBC	5,000
Total other non-audit services (Note 3)	TBC	25,000
Total fees	TBC	135,217

The agreed fee presented is based on the following assumptions:

- > Officers meeting the agreed timetable of deliverables;
- > Our accounts opinion and value for money conclusion being unqualified;
- > Appropriate quality of documentation is provided by the Council; and
- > The Council has an effective control environment.

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

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

(1) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Our Audit Planning Report in 2019/20 highlighted that we would be having further discussions with management to agree a scale fee variation for 2019/20 onwards and set out some of the factors informing this discussion. We were unable to agree a scale fee variation with management and submitted our proposal to PSAA to make a determination. PSAA have not yet made this determination. The base fee set by PSAA for our 2020/21 audit is £71,813.

(2) In 2019/20 the scale fee variation related to the impact of the Covid-19 pandemic and the additional audit procedures that we were required to undertake to issue our audit opinion. These included general inefficiencies arising from the remote audit process and the additional work and consultation undertaken to address the impact of Covid-19 on the going concern status of the Council. The additional fee was agreed with management and was submitted to the PSAA as an agreed variation. Elements of this are likely to reoccur in 2020/21 e.g. We note that Covid-19 is likely to continue to have an impact on our 2021 audit, in particular there are significant new funding streams to assess given the level of Covid-19 related government grants received in year. We have attached our significant risk of fraud in revenue recognition to these funding streams this year and expect that there will be some complex judgements taken when determining the accounting treatment to be applied.

(3) We will agree fees with you for 2020/21 certification work prior to commencing the work.




All fees exclude VAT

Appendix B



Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you





Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report, July 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report, December 2021

Required communications with the Audit Committee (continued)




Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report, December 2021
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report, December 2021
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report, December 2021
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report, December 2021

Appendix B

Required communications with the Audit Committee (continued)




 Our Reporting to you		
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report, July 2021</p> <p>Audit Results Report, December 2021</p>

Required communications with the Audit Committee (continued)

Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report, December 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report, December 2021
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report, December 2021
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Planning Report, July 2021 Audit Results Report, December 2021

Appendix B

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report, December 2021	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report, December 2021	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report, December 2021	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report, July 2021 Audit results report, December 2021	
Certification work	Summary of certification work undertaken	Certification report	

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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**AUDIT COMMITTEE
28 JULY 2021**

ITEM NO.

INTERNAL AUDIT ACTIVITY REPORT 2020/2021

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report of activity and proposed activity for the next period.

Summary

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity.

Recommendation

3. It is recommended that the activity and results be noted and that the planned work is agreed.

Reasons

4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Andrew Barber
Audit & Risk Manager**

Background Papers

- (i) Internal Audit Charter
- (ii) Departmental Audit Reports

Andrew Barber: Extension 156176

S17 Crime and Disorder	Other than any special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	There is no specific relevance to the Plan beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

5. Members will be aware of a change in approach from traditional audit assignments to individual control testing and reporting. This requires a different approach in terms of reporting on activity and this will be developed further in the coming months. Additionally there is a move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.
6. The report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
7. **Appendix 1** provides members with detailed feedback on the performance of the service and the position in relation to completion of audit work. This is a new version of the report and each section will be discussed in more detail in the following paragraphs.
8. The first section of the report is to provide members with feedback on the management of the risks on the corporate risk register. Testing has not yet been undertaken for all risks but where testing has been undertaken an assurance level is provided, at present risk EG&NS 9 has been identified as an area where further improvement is required however, this has not been reviewed since the last update. The areas not yet tested are included in the normal programme of work based on the audit risk assessment which takes account of the overall risk assessment.

9. The next section breaks down audit results against a set of key governance processes. As with the previous section where no assurance level is given testing is yet to be undertaken. No area is scoring below 70% which is the benchmark for substantial assurance.
10. The next section breaks down audit work by functional service area within the council this is a different type of breakdown to the processes previously discussed and provides an overall picture for each service area.
11. The next section continues to look at service area and provides feedback on the work undertaken in the previous quarter and a summary of the work planned to be undertaken. The majority of testing undertaken has been classified as Green.
12. The penultimate section is progress against our balanced scorecard. The key measures in this section are adequate resources and portfolio coverage. In terms of adequate resources we aim to have 15 days capacity spare to deal with any issues that may arise. Portfolio coverage identifies the number of controls that should be tested in the period, we were on target for the previous quarter.
13. The final section of the report is a full list of controls to be examined in the next period in priority order.

Outcome of Consultation

14. There was no formal consultation undertaken in production of this report.

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Risk Summary

Where possible audit testing is linked directly to risks on the risk register, below is a summary of current assurance levels based on work completed to date.

ID	Risk	Assurance
C&A 1	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	
C&A 10	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	
C&A 14a	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	100%
C&A 14b	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.	
C&A 15	Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway.	
C&A 16	Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE).	
C&A 17	Impact of NECA not retaining the Drug & Alcohol Contract on the Stop Smoking Service - Will the provider be able to manage the Stop Smoking staff if the Gate is no longer used by the Service.	
C&A 18	Impact of COVID-19 on team capacity.	
C&A 19	New Director of Public Health transition.	
C&A 3a	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	
C&A 3b	Inability to recruit and retain sufficient qualified suitably experienced social workers in Adult Services impacts on cost and quality of service	
C&A 5	Failure to identify vulnerable schools and broker appropriate support to address needs	
C&A 8a Adult	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	
C&A 8b	Increased demand for Children's Services impacts negatively on budget	
C&A 9a	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	
C&A 9b	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	
C1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	
C17	Brexit could result in changes to laws, regulations, government policy or funding when/if the UK leaves the EU which could impact on Darlington Borough Council's ability to achieve its objectives	
C18	COVID-19: 1. Health and safety of the Council workforce 2. Health and safety of the public of Darlington 3. The impact on the Economy of the Borough and its population 4. Financial impacts on the Council of increased costs and reduced income	
C3	Corporate Premises Risks	100%
C4	Business Continuity Plans not in place or tested for key critical services	97%
C5	Council unable to meet its obligations under the information governance agenda	92%
EG&NS 1	Investment in regeneration projects is not delivered	
EG&NS 12	Planning Performance at risk of Standards Authority intervention	
EG&NS 13	Significant impacts arising from the reduction in available cash/resources to the local economy, Council's GF and HRA and businesses due to the impacts of increased levels of unemployment and Universal Credit payments	
EG&NS 14	Regulatory risks associated with provision of services including Street Scene Environmental Services, Building Services (Gas, Legionella, etc.) and the Lifeline service	
EG&NS 16	Delay in delivering replacement cremators resulting in failure of existing equipment and therefore closure of the service	
EG&NS 17	Impact of COVID-19 on customers and audiences on confidence to return to leisure and cultural facilities	
EG&NS 18	Impacts arising from the ability to progress and complete schemes/projects in the event of further COVID- 19 lockdowns	
EG&NS 19	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	
EG&NS 20	Inability to cope with significant increase in homelessness cases due to new requirements by MHCLG to accommodate everyone irrespective of status in order to limit spread of COVID-19 and also increased levels of homelessness due to increased relationship breakdowns and financial difficulties	
EG&NS 7	Financial implications of Maintaining and conserving key capital assets within the borough	
EG&NS 8	Ability to adequately address the affordable housing requirement	
EG&NS 9	Delay to new Local Plan	50%
RE 1	VAT partial exemption breach due to exempt VAT being close to the 5% limit	
RE 2	Fraud in general	
RE 26	Joint Venture Arrangements impacted by a slow down in house building	
RE 3	ICT security arrangements inadequate	
RE 5	Increased sickness absence adversely affects service delivery	
RE 9	Instability within financial markets adversely impacts on finance costs and investments	100%

Theme Summary

Theme	Assurance	Audit Findings (By Impact)					
			VL	L	M	H	VH
1. Accuracy of Decision Making	89%	R	0	0	0	0	0
		A	0	0	5	0	1
		G	1	11	14	9	4
2. Monitoring of Decisions	89%	R	0	0	0	0	0
		A	0	2	0	1	0
		G	0	6	7	0	0
3. Information Governance	94%	R	0	0	0	0	0
		A	0	2	4	0	0
		G	1	8	11	4	1
4. Finance	100%	R	0	0	0	0	0
		A	0	0	2	0	0
		G	1	2	6	6	2
5. HR - Payments	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	1	0
6. HR - Health & Safety	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	2	0	0
7. HR - Management	100%	R	0	1	0	0	0
		A	0	0	0	0	0
		G	1	5	1	1	0
8. Recruitment	88%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	0	0
9. HR - Training/Qualifications/Clearances	81%	R	0	0	1	0	0
		A	0	0	4	0	0
		G	0	6	6	3	0
10. Accuracy of Payments	95%	R	0	0	0	0	0
		A	0	2	0	0	0
		G	3	8	3	0	0
11. Income - Charging	100%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	4	0	1	0
12. Income - Payments	85%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	4	1	1	0
13. Cash Handling	86%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	0	0	0
14. Procurement/Sourcing	91%	R	0	0	0	0	0
		A	0	1	2	0	0
		G	0	6	3	2	1
15. Physical Assets/Locations	95%	R	0	0	0	0	0
		A	0	2	2	0	0
		G	0	4	8	4	1
16. Fraud	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	0	0	0
17. Business Continuity	100%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	2	6	5	0
18. Procedures	100%	R	0	0	0	0	0
		A	0	0	0	1	0
		G	0	6	3	1	1
19. Performance Management	93%	R	0	0	0	0	0
		A	0	1	1	0	0
		G	0	0	7	3	2
20. ICT Infrastructure	88%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	1	4	6	3	1
21. Handling of Requests/Incident Response	85%	R	0	0	0	0	0
		A	0	0	2	0	0
		G	2	3	1	1	0

Detailed Analysis by Service

This section of the report presents the current overall results by Service area.

		VL	L	M	H	VH
Finance	R	0	0	0	0	0
	A	0	1	0	0	0
	G	1	4	4	6	1
HR	R	0	0	0	0	0
	A	0	0	0	0	0
	G	1	6	3	1	0
Health & Safety	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	1	0	0	0
Strategy, Performance & Communications	R	0	0	0	0	0
	A	0	1	0	0	0
	G	3	3	1	0	0
Children's Services	R	0	0	0	0	0
	A	0	0	1	1	0
	G	0	1	10	8	2
Adults	R	0	0	0	0	1
	A	0	1	2	1	1
	G	0	1	6	6	3
Education	R	0	0	0	0	0
	A	0	0	2	0	0
	G	0	8	4	1	2
Public Health	R	0	0	0	1	0
	A	0	0	0	0	0
	G	0	0	0	3	0
Legal	R	0	0	0	0	0
	A	0	1	1	0	0
	G	1	2	3	0	0
Democratic Services & Registrars	R	0	1	0	0	0
	A	0	0	0	0	0
	G	0	4	1	0	0
Information Governance	R	0	0	0	0	0
	A	0	0	3	0	0
	G	0	1	3	0	1
Xentrall	R	0	0	0	0	0
	A	0	1	1	0	0
	G	1	23	23	9	1
Housing & Building Services	R	0	0	0	0	0
	A	0	0	1	0	0
	G	0	4	6	2	2
Community Services	R	0	0	0	0	0
	A	0	7	3	0	0
	G	2	17	10	1	0
Economic Growth	R	0	0	0	0	0
	A	0	0	3	0	0
	G	0	1	4	4	0
Transport & Capital Projects	R	0	0	0	0	0
	A	0	0	4	0	0
	G	0	3	5	3	0

Detailed Analysis of Output and Planning by Service

This section of the report will present detail of work undertaken and work planned by Service area.

	Results				Planned Work		
	April 2021	to	June 2021		July 2021	to	September 2021
	Number	R	A	G	No	Time	Monitoring
Finance	1	0	0	1	14	13.25	0.6
HR	1	0	0	1	5	3	0.2
Health & Safety	0	0	0	0	4	3.5	0.2
Strategy, Performance & Communications	1	0	1	0	3	1.5	0.1
Children's Services	12	0	0	12	18	17.75	1.2
Adults	9	2	1	6	26	26	0.7
Education	3	0	1	2	14	23.5	0.2
Public Health	0	0	0	0	5	7.25	0
Legal	2	0	1	1	4	6	0.3
Democratic Services & Registrars	1	1	0	0	7	5.25	0.2
Information Governance	1	0	0	1	2	1.25	0.2
Xentrall	22	0	1	21	11	19.5	2.5
Housing & Building Services	8	0	0	8	6	10	0.8
Community Services	12	0	2	10	30	22.5	1.9
Economic Growth	2	0	0	2	13	11	0.4
Transport & Capital Projects	4	0	0	3	13	9.75	0.6
Totals	79	3	7	68	175	181	10.1

Quality, Assurance & Improvement Process

Period	April 2021	to	June 2021
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Stewardship (Coverage)			Stakeholders		
Measure	Target	Performance	Measure	Target	Performance
Adequate Resources	15	15.7	Reports Issued	Qtrly	*
Portfolio Coverage	77	79	Fraud Strategy Review	31/03/2021	*
Presentation of Annual Report (Annual)	June	*	Client Satisfaction	TBC	*
Presentation of Activity Report	Qtrly	*	Recommendation Implementation	TBC	*

Process			People		
Measure	Target	Performance	Measure	Target	Performance
Self assessment against standards (Annual)	March	*	Productivity	75%	72.2%
External Assessment (Every 5 Years)	31/03/2023	*	Training (Per Financial Year)	20	15.1
Staff Meetings Held	7	9	Code of Conduct (Annual)	100%	*
Up to Date Audit Manual	31/03/2021	*	Appraisals (Annual)	100%	*

* - to be reported as part of the annual report.

Full Plan

ID	Control	Frequency
33	Education, Health & Care Plans are completed appropriately and in a timely fashion	3
35	Section 17 payments made in respect of children are appropriately managed.	3
36	Children's placements are monitored appropriately and opportunities for family reunification examined.	3
42	Sufficient school places are available to meet demand.	3
44	Children's Assessment procedures are comprehensive and up to date	3
49	Children's cases are appropriately supervised with regular discussion and appropriate recording.	3
54	Systems are updated with the relevant referral information	3
55	Accurate and timely assessment of children's referrals is undertaken.	3
68	Clear budget process and timetable is in place which could be followed by team members as and when required.	3
78	Focussed financial support to commercial ventures	3
88	An approved Council Plan is in place which sets out the priorities of the council.	3
105	Update and report the strategic corporate risk register.	3
112	Process council tax support claims	3
113	Process housing benefit claims	3
165	Adult Services have a service strategy in place and delivery is being monitored.	3
172	An up to date strategic plan is in place for the Safeguarding Adults Board.	3
174	Adult Social Care cases are allocated appropriately considering caseloads and qualification requirements.	3
176	An appropriate ICT system(s) is in place to manage and safeguard adult social care information held.	3
179	Appropriate service provision has been identified to meet an Adult Social Care users individual needs, which is accurately charged for as required.	3
182	Where the Authority has Deputyship/Appointeeship, appropriate authorisation/legal documentation is in place	3
250	There is a system of performance management in place for adult social care.	3
299	Adequate controls are in place to ensure data in the cloud is adequately protected.	3
348	DBS check renewals are undertaken for Adults and Health staff	3
380	The Supporting Families programme is managed effectively.	3
465	Public health research and local needs assessment.	3
478	An appropriate ICT system(s) is in place to manage and safeguard children's social care/education information held.	3
535	Children have been matched with appropriate adopters	3
577	The correct charges are raised for housing rents.	3
661	For Youth Employment Initiative (YEI) grants financial audits have been undertaken.	3
662	Youth Employment Initiative (YEI) outcomes are accurately recorded on the return to HBC	3
22	Adequate and effective after school, day care and residential short breaks provision is available for children with a care plan.	6
23	Appointment of suitable of in-house foster carers.	6
24	Appropriate arrangements are in place to assess the suitability of adopters	6
26	Attainment in schools is appropriately monitored.	6
28	In-House carers receive appropriate training.	6
32	Education, Health & Care Plans are appropriately monitored	6
45	Staff assessing children's cases have the relevant qualifications and clearances.	6
46	Business continuity arrangements are in place to continue to deal with referrals.	6
48	Hard-copy Children's case files are appropriately managed and safeguarded.	6
64	Clear acquisition, disposal and re-valuation process for land and buildings.	6
76	Ensure accurate monitoring of capital programme and schemes	6

79	Maintain formula and support for funding schools and high needs.	6
81	Operate clear arrangements for billing and collection of council tax and business rates	6
97	Prepare statement of accounts	6
108	Participate in appropriate safeguarding processes and provider serious concern protocol	6
114	Vehicles used in the provision of community transport services are suitable and meet requirements for servicing and road worthiness.	6
119	Client risk assessments are undertaken and appropriate arrangements in place for the provision of Passenger Transport (social care and education) service usage.	6
131	Planning and provision of school meals promotes healthy, nutritious eating in compliance with the School Food Standards.	6
132	Free school meals are provided to eligible pupils.	6
146	Bridge Inspections are undertaken in accordance with an appropriate specified programme.	6
163	Business continuity arrangements are in place in order to continue to receive adult referrals and undertake assessments.	6
168	Referral and Assessment Procedures (Adults) are comprehensive and up to date.	6
169	Appropriate financial monitoring is in place in respect of the Better Care Fund.	6
171	Non-financial targets as set out in the Better Care Fund plan are being met.	6
173	Appropriate reporting mechanisms are in place in respect of safeguarding activities and outcomes.	6
175	Adult Social Care case files are updated accurately and in a timely manner.	6
178	Staff working in settings for adults are suitably qualified and receive appropriate training.	6
181	Appropriate monitoring of residential placements is in place.	6
184	Accurate charges for contributions to care costs are made to service users.	6
190	Professionals employed to undertake DOLS assessments are procured and employed via correct processes.	6
200	The Council maintains an accurate and up to date land charges register.	6
203	Website and Intranet content is relevant and up to date.	6
218	Posts requiring a DBS check are identified and requirements are in line with legislation.	6
249	Timely and accurate financial assessments are undertaken for service users wishing to take up a service.	6
251	Adequate health & safety measures/risk assessments are in place/undertaken at individual adults establishments.	6
252	Arrangements are in place to ensure Day Services, Residential and Supported Living service provision continues if there was a loss of staff or premises.	6
255	All care packages are receiving appropriate approval, and include all relevant information.	6
256	Formal signed agreements in place between LA/CCG in accordance with relevant guidance	6
257	Appropriate arrangements are in place to continue managing clients finances in the event of disruption.	6
260	Food & Hygiene premises rating system is updated regularly and published.	6
272	Breaches of planning control are investigated and enforcement action initiated as necessary.	6
283	Disposals of ICT equipment are undertaken in an appropriate manner in line with an adequate and appropriate official disposal policy.	6
285	Progress towards the ICT strategy goals is monitored and reported on.	6
289	Appropriate disaster recovery plans and procedures are in place to support recovery from a partial or total loss of significant ICT systems/servers.	6
295	Appropriate formal documented ICT project management standards/policies have been established.	6
302	Anti-virus controls are in place for relevant elements of the ICT infrastructure including servers and individual machines.	6
303	An appropriate infrastructure is in place to facilitate the organisation's firewalls.	6
304	Appropriate periodic IT Health checks (or other equivalent exercises) are undertaken in order to identify and categorise significant security issues/vulnerabilities. Work is then undertaken to remediate these issues/vulnerabilities where appropriate.	6
309	Adequate and appropriate change controls are in place.	6
313	The computer system calculates all payments correctly.	6

363	The adoption process is adequately documented to ensure a suitable, safe placement is found within an adequate time period in the absence of key personnel.	6
365	Management and oversight of youth offending cases improve outcomes for young people involved in criminal justice system or at risk of becoming involved.	6
367	The Council has a strategy in place to deliver public health services to the community.	6
371	Information held about children, young people and their families is appropriate/up to date and sharing is in line with GDPR and IARs.	6
378	Pupil premium funding is used effectively.	6
393	Appropriate and timely response to a homelessness Duty to Refer request.	6
396	Accurate and timely returns are provided to support New Homes Bonus.	6
397	Economic Growth Strategy and Economic Growth Plan is monitored and milestones achieved.	6
399	Support is provided to new and existing businesses.	6
405	Effective management of grants received to support jobs and growth.	6
408	Monitor re-offending rates and target resources towards young people at risk of re-offending.	6
464	Effective commissioning and procurement of public health services and programmes.	6
466	Delivery of the Health and Wellbeing Strategy.	6
471	Achievement of completion rate targets for mandatory on-line information governance training.	6
484	Suitability of approved in-house foster carers is monitored.	6
499	Continued eligibility for a free school meal is monitored and appeals are handled appropriately.	6
536	Breakdowns in placements are handled effectively.	6
573	Where there is a shortfall in specialist housing facilities managed by the authority to meet demand external provision is effectively sourced.	6
576	Regular bank reconciliations are undertaken and are up to date with minimal amounts in suspense.	6
674	COVID DfE Exam Support	6
675	COVID Schools Workforce Fund	6
676	COVID Testing in Schools & Colleges	6
20	A child in care's story is documented	12
21	A robust training and support regime is in place for new teachers	12
25	Arrangements are in place to manage the breakdown of a placement	12
29	Hard copy information held in Children's Residential Homes is appropriately safeguarded.	12
34	Health & safety of children's placements is monitored	12
38	Plans are in place to manage the loss of a school and provide continuity of education.	12
39	School governors receive an appropriate level of support and training	12
40	School places have been allocated in accordance with admissions policies.	12
53	Procedures for managing referrals (Adult's) and undertaking initial assessments are comprehensive and up to date.	12
56	Agreements for early years provision are in place and being complied with and monitoring visits are being undertaken.	12
59	Allocation of school budgets in line with funding formula.	12
67	School investment plan in place to ensure appropriate number and quality of places available.	12
69	Clear contract procedure rules	12
72	Treasury Management Strategy and its implementation meets the Prudential Code and Treasury Management Code of Practice.	12
74	Delivery of tender management plan.	12
75	Ensure accurate in-year financial monitoring	12
77	Financial appraisal completed as part of business case/options appraisal	12
86	Undertake forward planning and projections of external factors in respect of income and expenditure and feed into MTFP.	12
89	Development of an appropriate risk assessed H&S audit programme.	12
91	Delivery of an effective Internal Audit Service in compliance with Accounts & Audit Regulations.	12

93	Requests for information are handled in line with requirements of the Freedom of Information Act.	12
96	Prepare annual governance statement	12
104	Update and report RAG tools to assist in risk management in all adults, public health and children's contracts.	12
107	Ensure specifications are clear and include all requirements for safe care	12
109	Crisis and emergency/settlement support	12
115	Appropriate business risk assessments are undertaken within the Passenger Transport service and measures are in place to ensure the health and safety of Council employees.	12
116	Council employed drivers and passenger assistants hold the necessary clearances, licences, qualifications and training.	12
117	Contractors & sub-contractors involved in the provision of passenger transport hold the necessary clearances, licences, qualifications and insurance.	12
130	Catering and cleaning staff have been subject to appropriate disclosure checks.	12
134	Arrangements are in place for inspection and maintenance of security and surveillance equipment.	12
135	Civic enforcement decisions are consistent, fair, proportionate and necessary; in line with legislation.	12
138	Community engagement and communication to highlight and reduce environmental crime.	12
139	Ensure the health and safety of enforcement officers.	12
141	Sensitive personal information in relation to Telecare clients is managed in line with GDPR requirements.	12
142	Telecare staff hold appropriate qualifications and DBS clearances, and receive regular training.	12
147	Highway inspections are undertaken in accordance with an appropriate specified programme.	12
148	Street Lighting inspections and associated electrical testing are undertaken in accordance with an appropriate specified programme and relevant legislation/guidance.	12
150	Car Parking Strategy in place which is up to date and considers resident, disabled and general parking requirements.	12
151	Road closures are undertaken following appropriate consultation and required notifications are undertaken within appropriate timescales.	12
152	The authority is committed to reducing it's carbon footprint and supporting residents and businesses to reduce theirs.	12
153	The highways network resilience to extreme events such as weather has been fully established and plans are in place to manage this.	12
158	Disabled Facilities Grants/Helping Hands recipients meet grant eligibility criteria, payments and contributions are correct.	12
159	HMO properties are licensed.	12
162	The authority has an adequate, appropriate and up-to-date Local Plan in place.	12
177	Adult Social Care staff are aware of Health & Safety requirements and have received appropriate H & S training.	12
183	Where legal charges have been placed on a service user's property, appropriate deferred payment/legal documentation is in place	12
188	A current Carers Strategy is in place.	12
189	Professionals are appropriately trained and qualified to undertake BIA/DoLS assessments.	12
194	Corporate initiatives are in place to help prevent sickness absence.	12
195	Procurement of contracts in place for provision of employee therapy is undertaken in line with contract procedure rules and appropriate monitoring undertaken.	12
206	Communication activities are aligned with corporate priorities and are delivered consistently and effectively.	12
214	Procurement by Legal Services is in line with contract procedure rules and value for money principles.	12
216	Land charge related searches are completed effectively and within a reasonable timescale.	12
220	Appropriate checks have been undertaken prior to placing someone on the Employee Protection Register.	12
221	Information security and sharing protocols in relation to occupational health and employee therapy provision is in line with data protection legislation.	12
227	Arts Council funding is used appropriately and conditions complied with.	12
228	Venues for events are appropriate.	12
234	Library stock is adequately recorded, managed and its condition is 'fit for purpose'.	12
235	Adequate emergency response plans are in place for events and venues.	12

236	Arts and museum assets are adequately safeguarded and insured.	12
245	Maintain an accurate and up to date electoral register, which conforms to Electoral Commission requirements.	12
261	Adequate performance information is maintained and is appropriately utilised within the Highways Department.	12
263	Appropriate controls are in place to identify, record and investigate significant flooding incidents.	12
264	The authority has an adequate, appropriate and up to date Highway Infrastructure Asset Management Strategy (HIAMS) in place.	12
265	Utility works are licensed, inspected and where applicable, appropriate charges are issued and collected for overruns/fines.	12
270	Building control decisions are appropriately authorised and made in line with Building Regulations.	12
271	Residential delegated planning applications are considered and determined in line with the local development plan, national planning framework, gives consideration to the provision of green spaces and is dealt with within the appropriate timescale.	12
274	Section 106 agreements utilised effectively and obligations are complied with.	12
279	High level Active Directory administration privileges/credentials are only assigned to appropriate individuals.	12
284	An appropriate current documented and approved ICT strategy is in place.	12
286	ICT equipment located in computer facilities is adequately and appropriately protected from significant environmental threats.	12
290	Where applicable, appropriate internal disaster recovery arrangements (including backup, replication and snapshot facilities) are in place to cover significant ICT system/servers.	12
292	Use of email facilities by users is adequately controlled.	12
296	Appropriate formal agreements are in place with any external parties involved in the management and operation of the networks.	12
297	Network infrastructure/equipment is appropriately managed and protected.	12
298	Adequate and appropriate arrangements are in place in respect of business continuity and disaster recovery for the network infrastructure (including backup arrangements and arrangements to ensure network resilience).	12
300	Appropriate security/usage policies for users are in place to provide important guidance to users of the ICT facilities.	12
301	Users of ICT facilities are appropriately controlled.	12
306	Adequate and appropriate patching of host and guest operating systems is undertaken.	12
307	Appropriate access controls are in place to secure the virtualised environment.	12
308	An appropriate inventory of all significant ICT equipment is maintained. Including servers, PCs, laptops, tablets, etc.	12
310	HMRC reporting requirements are being complied with.	12
311	Information on payslips meets statutory requirements and is correct.	12
320	Information held in systems relating to HR are accurate and up to date.	12
325	Invoice certification procedures should confirm that: goods and services have been received; prices have been checked; discounts have been taken and the invoice has not been paid before.	12
326	All invoices/requisitions are expenditure coded.	12
329	The authority complies with HMRC CIS scheme.	12
330	Invoices give details of what the debts relate to, the goods and services provided and dates of provision, and are coded to the correct service.	12
332	Arrears recovery procedures are clearly defined and implemented in all cases. Reminder and recovery action periods are suitable for the types of debtor involved. Like debtors are treated equally.	12
334	A master record of periodical income records the amount and due dates of all sums which become due under the terms of leases, rents, licences, and wayleaves etc., amendments may be made to the master record by nominated officers only (on standard forms controlled by the Finance department) and certified by authorised officers.	12
338	Pension deductions are taken each month from employee's pay at the appropriate rate.	12
341	The total contributions collected from both the employee and the employer are paid to the relevant pension fund in full.	12
342	There are clearly defined guidelines and procedures for the recruitment process.	12
346	The authority exercises powers to ensure safe, high quality standards in the private housing sector.	12
349	Safeguarding training in schools is up to date and a safeguarding lead is in place.	12
353	Suitability of emergency unsupported placements.	12

355	Up to date and accessible procedures available to support the management of children's case files.	12
356	Address patterns of absence and promote regular attendance at school.	12
358	Pathway plans support care leavers in managing the transition from school to higher education, training or employment.	12
359	Training, support and development is in place for foster carers/special guardians.	12
361	Training, support and development is in place for adoptive parents and families.	12
364	Effective recruitment and retention of foster carers, including ongoing campaigns promoting the role.	12
368	Advice, access to support and refuge accommodation for victims of domestic abuse.	12
370	Commercial delegated planning applications are considered and determined in line with the local development plan, national planning framework, gives consideration to the provision of green spaces and is dealt with in accordance of the appropriate timescale.	12
381	Prioritised support and provision to tackle fuel poverty and deliver the Affordable Warmth Strategy.	12
382	Monitor delivery of community partnership objectives and key priorities.	12
383	Strategic plans and framework are in place to tackle poverty.	12
390	Commitment to road safety and reducing road casualties.	12
392	Compliance with Department for Transport (DfT) funding terms and conditions for grant payments received.	12
402	Tackling town centre property vacancies	12
403	Promotion of the borough and town centres as a great place to invest, trade and visit.	12
412	An accurate and complete register of licences issued is maintained.	12
413	Licence applications are subject to appropriate review and approval, evidence of background and eligibility.	12
415	A programme of trading standards inspections and sample tests has been identified using a risk assessment process.	12
416	Trading standards investigations are recorded accurately either as a result of a programmed inspection or in response to a complaint and the results circulated as necessary including general guidance as necessary.	12
423	Appropriate and up to date emergency plans are in place to guide a coordinated response to a major incident.	12
428	Provide effective short-term support to individuals following a discharge from hospital or to prevent hospital admission.	12
449	Cemeteries and memorials are well maintained and health and safety risks managed.	12
450	Crematorium inspection and monitoring to reduce the impact of emissions.	12
455	Inspection and maintenance of Council owned play facilities and skate parks.	12
457	There is a register of land owned and a sustainable grounds maintenance/landscaping programme in place.	12
467	A Gypsy Traveller Accommodation Assessment (GTAA) is undertaken to identify pitch requirements.	12
470	Compliance with the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit	12
472	A central record of Information Asset Registers is maintained and checked for completeness.	12
473	There is a corporate arrangement in place for the secure destruction of paper records.	12
474	Appropriate email encryption is in place for sharing sensitive information.	12
477	Information asset registers are in place for each service and are being complied with.	12
479	Up to date and accessible procedures available to support the management of Adult Social Care users files.	12
485	In-house foster carer details are accurately recorded and updated.	12
486	Information relating to adopters is accurately recorded and up to date.	12
487	Adopter suitability appeals are appropriately managed.	12
488	School admissions appeals are appropriately managed.	12
491	There is a system of performance management in place to establish the effectiveness of HR policies, procedures and initiatives.	12
494	Leisure provision requirements are understood and effectively sourced.	12
503	The programme of trading standards inspections and sample testing is being monitored for completion.	12
510	Monitoring is undertaken to ensure compliance with planning decisions and appeals are handled appropriately.	12
511	Inspections of building work are undertaken to ensure compliance.	12
513	Building control decisions are accurately recorded.	12

523	Where financial assistance has been provided to businesses these are being monitored for compliance.	12
526	Changes in circumstances for council tax support and housing benefit claimants are processed appropriately.	12
527	Records relating to Council Tax Support and Housing Benefits are accurate and up to date.	12
531	Exclusions/Pupils at risk of exclusion are reviewed and action taken to address issues.	12
532	Pathway plans are monitored	12
533	Pathway plans are accurate and up to date on the system	12
534	Any payments agreed as part of the Pathway Plan have been paid correctly.	12
537	Accurate and up to date information is recorded for adoption cases.	12
538	Monitoring of Adult's safeguarding partnership arrangements ensure effective multi agency working.	12
539	Monitoring is undertaken of care packages for continued suitability.	12
548	Payments made for discretionary housing payments are accurate.	12
552	Plans are in place to continue to deliver housing/council tax support during an emergency.	12
557	The community engagement and heritage crime grant has been spent in accordance with grant conditions.	12
559	COVID related business grants have been appropriately managed with eligibility confirmed.	12
570	Income Recompense Scheme is appropriately reported and claimed.	12
663	Effective sourcing of child placements.	12
30	Cash in Children's Services is appropriately safeguarded and reconciled.	24
58	Cash in children's centres is appropriately safeguarded	24
60	Headcount is being undertaken accurately and steps taken to verify figures for early years contracts.	24
62	Payments made to early years providers are accurate	24
63	Annual maintenance plans are in place for all buildings	24
66	Debt Management of commercial properties is effective.	24
70	Clear fraud prevention and detection arrangements	24
73	Delivery of contract management plans	24
83	Operate Stockton Collections arrangements and bad debt arrangements in compliance with relevant legislation.	24
87	Co-ordinate complaints process	24
90	Deliver health & safety training programme and provide advice and guidance materials.	24
92	Implement the counter fraud strategy	24
103	Undertake health & safety investigations	24
118	Transport provision is in line with client eligibility criteria.	24
120	Costs and demand for Passenger Transport services are monitored to ensure the best use of resources is applied.	24
121	Procurement of transport routes, goods and services ensures compliance with value for money principles and contract procedure rules.	24
122	Secure and effective arrangements for the collection, recording and recovery of income in respect of community transport.	24
123	Payments made to community transport staff are appropriate, accurate and authorised.	24
124	Strategies are in place to monitor and manage the demand for school meals in the short, medium and long term.	24
125	Charges for internal and external catering and cleaning provision are raised accurately and promptly, and income due has been received.	24
126	Assets and equipment owned by the catering and cleaning service are effectively maintained.	24
127	Protect the health and safety of catering and cleaning staff, service users and the public.	24
128	Operational procedures are in place and available to catering and cleaning staff.	24
129	Payments for cleaning supplies are accurate and in accordance with the contract.	24
133	Charges for internal and external security and surveillance services are raised accurately and promptly, and all income due has been received.	24
137	Accurate charging and effective income management in relation to civic enforcement activity.	24
140	Invoices and recharges in relation to telecare services are raised promptly and accurately and income due is received.	24

144	Appropriate measures are in place within the vehicle workshop environment to ensure the health and safety of council employees and the public.	24
145	Public Rights of Way Improvement Plan (RoWIP) is in place and progress against this monitored.	24
154	Appropriate controls and systems are in place to administer parking permits/waivers and the Blue Badge scheme.	24
155	The authority has undertaken appropriate consultation and produced an adequate, appropriate and up to date Local Transport Plan.	24
157	The authority has an adequate, appropriate and up to date Homeless Reduction and Prevention Strategy in place.	24
160	The authority has an adequate, appropriate and up to date Empty Homes Strategy in place.	24
166	Staff involved in adult referrals and assessments appropriately qualified and have appropriate clearances.	24
180	Adequate security measures are in place at each Day Service, Residential and Supported Living establishment to protect clients, guests and residents property and other assets.	24
186	The range of physical disability & sensory impairment equipment available is sufficient to meet service user need	24
191	Environmental Health cases are appropriately allocated to officers.	24
192	Environmental Health income is managed appropriately and all income due to the service is collected.	24
193	Payments made to providers of employee benefit schemes are accurate.	24
197	External communication and engagement contracts are procured in line with contract procedure rules, accounting instructions and value for money principles.	24
204	Effective internal communication and engagement with employees is achieved.	24
205	There is an appropriate documented HR, Legal and Communications business continuity plan in place that will enable service delivery in the event of short, medium and long term disruption.	24
207	The Council maintains positive and effective media relations.	24
210	Accurate and up to date records are maintained for all legal services provided.	24
212	Accurate and timely fee recovery for internal and external legal services provided.	24
215	Accurate charging is made in accordance with approved scale of land charges and fees.	24
219	Information stored on the employee protection register is accurate, up to date and used appropriately.	24
222	Appropriate employee benefit schemes are in place.	24
223	Effective procurement/commissioning of training and development providers ensures value for money and compliance with contract procedure rules.	24
224	Managers and staff are aware of their responsibilities in relation to personal development and training.	24
226	Successful delivery of a varied arts and events programme.	24
229	Ticket sales and admission charges are recorded and income received in full.	24
230	Procurement of events performers and suppliers is in line with contract procedure rules.	24
231	Payments to events performers and suppliers and performance are effectively managed	24
232	Learning and Skills Tutors are suitably qualified, trained and DBS checked.	24
233	Library income is securely held and effectively managed.	24
237	Payments to external leisure providers are effectively managed.	24
238	Learning and Skills course fees are set appropriately and income taken is held securely and adequately accounted for.	24
239	Staff and premises are available to enable delivery of adult education courses and qualifications by Learning & Skills to be maintained, in the event of unforeseen circumstances.	24
240	The range and quality of Learning & Skills provision meets local and national requirements.	24
242	Members inductions and training is adequate.	24
243	Sufficient and trained staff are available to support Elections held.	24
244	Maintain an up to date and accurate register of officers and Members business interests.	24
246	Maintain accurate and up to date gifts and hospitality register.	24
247	Officers and Members and aware of appropriate conduct in relation to gifts and hospitality.	24
248	Council meeting agendas and supporting documentation are available to support decision making.	24
258	Environmental Health inspectors have the appropriate qualifications.	24
259	Records relating to environmental health cases are appropriately recorded and managed.	24

266	Appropriate controls and system are in place to ensure all car parking income is accounted for in the authority's accounts.	24
267	PCN/FPN appeals are correctly and fairly processed.	24
277	The Travellers Site is secure and maintained effectively.	24
278	Financial assistance provided to businesses is subject to appropriate appraisal and approval.	24
280	Generic/built in Active Directory accounts are appropriately controlled.	24
281	The Active Directory domain structure is appropriate and supports good practice.	24
282	An appropriate staffing structure is in place for ICT.	24
287	An adequate and appropriate software asset and license register/inventory is maintained.	24
288	Sufficient appropriate policing/auditing of software installation/use and licensing compliance is undertaken.	24
293	Remote access to facilities is adequately controlled.	24
305	Significant changes to the virtualised infrastructure are adequately managed. Allocation of resources in the virtualised environment is adequately and appropriately controlled.	24
312	The organisation's establishment is authorised by the managing body.	24
314	All overtime payments are supported by appropriate paperwork and details are promptly and accurately entered onto the system	24
315	All variable payments other than overtime (control covered elsewhere) are supported by appropriate paperwork and details are promptly and accurately entered onto the system.	24
316	All fixed salary payments comply with policies and are supported by appropriate paperwork and details are promptly and accurately entered into the system.	24
317	All deductions other than pension deduction (control covered elsewhere) are supported by appropriate paperwork and details are promptly and accurately entered onto the system.	24
318	Financial information is updated in a timely manner and recorded accurately within Business World On!	24
319	Standard exception reports are produced for subsequent investigation and clearance.	24
321	Staff fit notes and self-certification forms covering the entire period of sickness absence are promptly received, accurately recorded and stored appropriately.	24
324	Creditors procedure manuals are held and all staff are aware of these manuals.	24
328	Secure procedures operate for immediate payments.	24
333	Standing orders/financial regulations require the reasons for all sundry debtor write-offs exceeding £x to be reported to committee. Write-offs below this amount may be authorised by a nominated officer when all recovery procedures have been unsuccessful.	24
335	A record is kept of all accounts which are not dispatched at the time the accounts are raised. This record indicates why this action was taken, and where appropriate, records the agreement of the budget holder.	24
336	Regular reconciliations are performed between the total credits in the debtor's system and the Main Accounting system.	24
337	Amendments and credits can only occur with the authorisation of the responsible officer for the cost centre whose account was originally credited in error.	24
339	The employer makes the correct % contribution payment to the relevant pension fund on behalf of each employee within that scheme.	24
340	Early retirement is only granted to an employee in accordance with Council policies and that associated calculations made based on this are accurate.	24
343	The appointment process is fair, robust and managed effectively.	24
344	All new employees have been appropriately vetted before being employed.	24
345	All newly appointed employees are subject to an appropriate induction.	24
347	Specialist housing facilities managed by the authority meet demand, provide good quality accommodation and comply with the needs of vulnerable residents.	24
350	Procedures ensure that staff are aware of the process for making a referral to children's social care.	24
351	Monitoring of Children's safeguarding partnership arrangements ensure effective multi agency working.	24
354	Information published by maintained schools is in compliance with regulations.	24
357	Effective oversight of education provided to children in the home/hospital or other setting outside school.	24
360	Payments to carers are accurate, appropriate and timely.	24
362	Financial support provided to adoptive families is paid accurately and timely.	24

366	Implementation of action plans that promote access to targeted resources, increase access to education, training and employment.	24
374	Effective management of payments and expenses associated with child contact visits.	24
375	Continuity of care workers for children and their families is a priority.	24
377	Effective resource management in schools to provide value for money and maximise outcomes for pupils.	24
379	Corporate privacy notices in place.	24
384	Delivery of Stockton Business Improvement District partnership objectives and key priorities.	24
385	Effective administration and management of community centres.	24
386	Effective administration and management of children's centres.	24
387	Effective community engagement and consultation.	24
389	Delivery of an effective careers advice and guidance service.	24
398	Local economic assessment provides an economic baseline to inform decision making.	24
400	Effective administration and management of business premises and specialist start-up business space.	24
404	Promotion of apprenticeship opportunities.	24
406	Appropriate allocation of town centre market pitches.	24
407	Monitor trends in crime and anti-social behaviour and respond to emerging issues.	24
409	Effective management and delivery of CCTV strategy.	24
411	An appropriate licence fee is established.	24
417	Compliance with licence conditions is monitored and appropriate sanctions taken when necessary.	24
420	Response to requests for the removal of needles and syringes within two hours.	24
430	Effective performance management systems are in place to monitor levels of take up of leisure and culture activities with remedial action taken as necessary.	24
431	Provide a broad selection of accessible leisure and outdoor activities, representing value for money to the public.	24
432	On-site concessions are managed and procured appropriately.	24
434	Safeguarding of assets and equipment used in the delivery of arts and events.	24
435	Kerbside collection routes provide an efficient and complete service.	24
438	Waste and recycling targets are achieved.	24
439	Effective management of trade waste contracts and collection of income.	24
440	Effective procurement of waste and recycling contracts.	24
441	Contingency plans are in place for the collection and disposal of waste.	24
443	Registration of births, deaths, marriages and civil partnerships is in line with statutory timescales.	24
444	Demand for burial space is monitored and plans are in place to meet current and future requirements.	24
445	Statutory records in relation to registrations and burials are accurate and complete.	24
446	Compliance with General Register Officer statistical reporting requirements.	24
448	Crematorium operational controls are effective and comply with Cremation Regulations.	24
451	Maintain a schedule of cremator inspection and maintenance.	24
452	Parks and green spaces are identified, mapped and promoted.	24
454	Health and safety standards are maintained within our parks and green spaces.	24
456	Management of allotment sites, waiting lists and rental income.	24
459	Staff utilising grounds maintenance equipment are appropriately trained and qualified.	24
460	Security and crime prevention measures are in place in relation to parks and green spaces.	24
461	Provision of green spaces is a consideration for new housing developments, regeneration schemes etc.	24
462	Provision and upkeep of outdoor public seating and street furniture.	24
463	National Fraud Initiative matches are promptly reviewed and investigations undertaken as necessary.	24
468	Effective marketing and promotion of the Council brand and services.	24
469	Monitoring and evaluation of social media content.	24

475	Records relating to housing and housing related developments are accurate, up to date and appropriately safeguarded.	24
480	Employee hard copy files are adequately safeguarded.	24
481	Up to date HR policies and procedures.	24
482	Effective working relationships with staff forums and other employee groups such as unions.	24
483	Payments to external providers of SEN day care, after school and residential short breaks are accurate and timely.	24
489	School admission records are accurate and up-to-date.	24
490	There is a process in place for managing appeals and monitoring continued placement on the employee protection register.	24
492	Payments made to external training providers are accurate.	24
495	Income/payments relating to on-site concessions are accurate.	24
496	Charges for security and surveillance have been set appropriately.	24
497	Civic enforcement actions are appropriately and accurately recorded.	24
498	Appeals against civic enforcement actions are managed appropriately.	24
500	Information held about pupils in receipt of a free school meal is accurate and update and managed appropriately.	24
501	Payments for catering supplies are accurate and in accordance with the contract.	24
502	Payments to transport providers are accurate.	24
504	Payments are made to waste contractors accurately.	24
505	Allocation of Markets pitches is monitored and feedback sought.	24
506	Details about market traders are accurate and up to date.	24
509	Systems are in place to report/identify potential planning breaches.	24
512	There is an appropriate system in place to manage building control appeals.	24
515	Fees for building control applications have been set appropriately.	24
516	The correct fee is received for planning applications/requests.	24
517	Fees for planning applications received have been set correctly.	24
518	Payment of disabled facilities/helping hand grants are accurate.	24
519	The outcome of the disabled facility/helping hand grant application has been appropriately recorded.	24
520	Monitoring of disabled facility/helping hand grant work is appropriate.	24
521	The disabled facilities/helping hand grant budget is appropriately monitored.	24
522	Financial assistance to businesses decisions are accurately recorded.	24
525	H&S audit work is recorded appropriately	24
528	Decisions to award discounts for Council Tax or Rate Relief for NNDR are appropriate	24
529	Council Tax/NNDR information is accurate and up to date.	24
530	Discounts/Rate Relief is monitored for continued eligibility and there is an appropriate appeals process in place.	24
540	Monitor and review use of personal budgets.	24
541	The decisions to allow a personal budget is appropriate.	24
542	Financial assessments are reviewed and updated for changes in circumstances.	24
544	Payment of personal budgets is accurate and timely.	24
545	There is an effective appeals process for transport eligibility decisions.	24
546	Community transport information is up to date and accurate.	24
547	The correct fee is received for licenses.	24
549	Feedback on cases of identified fraud are acted upon appropriately.	24
550	Council Tax support/housing benefit overpayments are managed effectively.	24
553	Adequate procedures exist to deliver Council Tax/Benefits/Business Rate services.	24
554	Decisions to write-off outstanding council tax and NNDR debts are appropriate and have been appropriately approved.	24
555	Decisions to write-off outstanding housing debts is appropriate and all steps taken to recover the amount.	24

556	Sundry debts are only written-off when all steps have been taken to recover the amounts and are appropriately authorised.	24
574	Effective management of external payments and expenses associated with independent DoLS assessors.	24
575	There is an effective financial process in place which ensures that all refunds, exchanges, and account credits are accounted for and appropriately authorised at the Hippodrome.	24
578	Results of the NFI Exercise, identifying instances where VAT may have been overpaid, are reviewed and outcomes recorded.	24
579	Local Authority Compliance and Enforcement Grant	24
582	All newly appointed employees have completed an appropriate probation.	24
659	The procurement of Catering Supplies is in line with Contract Procedure Rules.	24
660	The procurement of Building Cleaning supplies is in line with Contract Procedure Rules.	24
80	Operate clear and robust insurance claim management and processing uninsured loss recovery.	48
84	Provide insurance underwriting support to services	48
94	Prepare and submit accurate financial returns by deadlines - RA/RO/Capital	48
110	Early help and support provided by welfare support service	48
196	Payments made to external employee therapy providers are accurate.	48
208	Communication and marketing budgets are effectively monitored and controlled.	48
209	Staffing requirements and associated costs are understood and effectively managed in relation to communication and media related activities.	48
211	Payments made by legal services to external providers or claimants are accurate and timely.	48
253	Finance and assets located at stand alone facilities for adults are adequately managed.	48
276	Landlord Accreditation Scheme membership is subject to an effective review and renewal process.	48
291	An appropriate infrastructure is in place to facilitate Internet usage for the organisation.	48
322	Approved absence has been granted in-line with policy and promptly recorded and correctly authorised.	48
419	Prompt removal of graffiti from public land and street furniture.	48
425	Provision of a confidential animal collection and rehoming service.	48
426	Prompt and effective response to reports of stray or abandoned animals.	48
427	Receipt of appropriate fees prior to release of lost animals to their owner.	48
436	Facilities are in place for the public to report litter, fly-tipping or missed kerb side collections.	48
447	Registrars and bereavement services income is received and recorded.	48
493	Payments to external communication and engagement providers are accurate and timely.	48
507	Permits/Waivers and Blue Badges are monitored for continued eligibility and an appeal process is in place.	48
508	Information relating to car parking permits/waivers and Blue Badges is appropriately stored and kept up-to-date.	48
514	An appropriate fee has been received for building control applications.	48

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**AUDIT COMMITTEE
28 JULY 2021**

INTERNAL AUDIT ANNUAL REPORT AND OPINION

SUMMARY REPORT

Purpose of the Report

1. To provide Members with the annual report of the testing undertaken in the previous 12 months in accordance with Audit Services' role and terms of reference.

Summary

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity and performance indicators.
3. The shared service was a new service beginning 1 April 2017 and brought together two teams from different organisations as well as a new approach to delivering the audit opinion.
4. In relation to Audit Services' performance a detailed report is provided with all agreed work completed.

Recommendation

5. It is recommended that the annual report of the results of testing during the previous 12 months and the overall opinion statement be noted.

Reasons

6. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Andrew Barber
Audit & Risk Manager**

Background Papers

- (i) Internal Audit Charter
- (ii) Results of Audit Testing

Andrew Barber: Extension 156176

S17 Crime and Disorder	Other than any special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
Corporate Plan	There is no specific relevance to the Plan beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

7. This is the first annual report following the change in approach to recording audit testing and as such is in a different format to previous annual reports.
8. The report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
9. **Appendix 1** provides members with detailed feedback on the performance of the service.
10. As members are aware audit work is planned on a quarterly basis and is effectively a rolling programme of testing. Any work not completed at the end of the quarter is rolled forward into the next quarter. However, to ensure sufficient work is completed to be able to provide an overall opinion on the control environment a minimum level of coverage is identified. This takes into account the priority rating for each test. For the period July 2020 to June 2021 the minimum level of coverage has been calculated at 310, the actual number of controls tested was 356, meaning sufficient work has been completed to enable an overall opinion to be provided.
11. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of audit recommendations agreed in audit reports.

12. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

13. There was no formal consultation undertaken in production of this report.

INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENTS

2020/21

1.0 EXECUTIVE SUMMARY

Introduction

- 1.1** Under the Accounts and Audit Regulations 2015, the Council is required to *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. For the purposes of the 2018/19 opinion the standards for proper practices for internal audit are laid down in the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (PSIAS).
- 1.2** The relevant body must conduct a review, at least once a year, of the effectiveness of its system of internal control. Following the review the Council must approve an Annual Governance Statement prepared in accordance with proper practices. The opinions given in this report provides independent and objective assurance on the overall adequacy and effectiveness of the Council’s system of internal control.
- 1.3** It is management’s responsibility to establish and maintain appropriate risk management processes, internal control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising management that these arrangements are in place and operating properly.

Quality Assurance and Improvement Programme

- 1.4** The Quality Assurance and Improvement Programme (QAIP) required by the PSIAS has been maintained during the year.

Planned Coverage and Output

- 1.5** The work of Internal Audit is agreed on a quarterly basis and approved by members at each meeting. Best practice requires that audit resources should target those areas that represent the greatest risk to the Council, to support this principle more frequent testing is undertaken on the areas that have the greatest impact in terms of managing risk within the council.
- 1.6** The planning process for audit work is much more fluid then in the past making a comparison of planned work against actual less relevant. In order to manage delivery to enable an overall opinion to be presented, minimum levels of coverage are established which are aligned with the risk assessment. Any planned work not completed in the original period is rolled forward to the next and prioritised ensuring all planned work is completed.

Measure	Target	Performance
Portfolio Coverage (Minimum)	310	356

Recommendations Made

- 1.7 Management continues to respond positively to audit reports and recommendations, with positive action taken to remedy any internal control weaknesses highlighted.
- 1.8 The current position regarding recommendations is as follows:

Status	Low	Medium	High	Critical	Total
Active	2	7	1	0	10
Implemented	1	0	0	0	1

Overall Assurance

1.9 As the Head of Internal Audit, I am required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. In assessing the level of assurance to be given, I based my opinion on:

- The written reports on all internal audit work completed during the course of the year and the subsequent audit opinions;
- Any follow up exercises undertaken in respect of previous years' internal audit work;
- The proportion of Darlington Borough Council's audit need that has been covered within this period;
- Any limitations which may have been placed on the scope of Internal Audit. (There have been no operational constraints placed upon Internal Audit, apart from agreed budgetary control provisions).

Opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework

From the testing undertaken by the Internal Audit Section over the course of the year I am satisfied that sufficient assurance work has been undertaken to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's control environment to support the preparation of the Annual Governance Statement.

It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction.

Statement of conformance with the PSIAS

A self-assessment of compliance with the PSIAS has been undertaken using the checklist included in the CIPFA Local Government Application Note to the PSIAS. The checklist runs to 35 pages and contains over 300 conformance targets.

This has been validated in 2017/2018 by an independent external assessor in-line with the requirements to undertake such a review at least once every 5 years.

The conclusion of the review is that the service conforms with the requirements of the standard.

The areas of non-compliance identified in the self-assessment and validated by the external review are as follows:-

- Assignments for on-going assurance engagements should be rotated periodically, this is not always possible given the size of the team and some areas that require technical expertise such as ICT. Audits are rotated wherever practical. This is mitigated by the code of conduct signed by auditors.**
- Organisational independence expects the Audit and Risk manager to report to an organisational level equal to or higher than corporate management team. For line management purposes the Audit & Risk Manager reports to the Procurement and Governance Manager however this is mitigated by having a secondary reporting line to the Director of Finance & Business Services and other senior management and the Audit Committee as required.**

Many of the compliance targets relate to consulting engagements. As the Internal Audit Section does not undertake any such engagements, the answers to these questions have to be “no”.

2 AUDIT RESULTS

- 2.1** The opinion given is supported by the results of testing completed during the previous 12 months.
- 2.2** To demonstrate the adequacy of controls the results are also analysed by governance theme. This analysis also supports the overall opinion on the adequacy of the control environment as a whole. Cash Handling testing has been limited throughout the year as there is only a very limited number of cash transactions being undertaken. The results of the National Fraud Initiative exercise are in the process of being analysed and reported at the current time and fraud related testing will be reported during the next reporting period.

Theme Summary

Theme	Assurance	Audit Findings (By Impact)					
			VL	L	M	H	VH
1. Accuracy of Decision Making	89%	R	0	0	0	0	0
		A	0	0	5	0	1
		G	1	11	14	9	4
2. Monitoring of Decisions	89%	R	0	0	0	0	0
		A	0	2	0	1	0
		G	0	6	7	0	0
3. Information Governance	94%	R	0	0	0	0	0
		A	0	2	4	0	0
		G	1	7	11	4	1
4. Finance	100%	R	0	0	0	0	0
		A	0	0	2	0	0
		G	1	2	6	6	2
5. HR - Payments	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	1	0
6. HR - Health & Safety	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	2	0	0
7. HR - Management	100%	R	0	1	0	0	0
		A	0	0	0	0	0
		G	1	5	1	1	0
8. Recruitment	88%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	0	0
9. HR - Training/Qualifications/Clearances	80%	R	0	0	1	0	0
		A	0	0	4	0	0
		G	0	6	6	3	0
10. Accuracy of Payments	95%	R	0	0	0	0	0
		A	0	2	0	0	0
		G	3	8	3	0	0
11. Income - Charging	100%	R	0	0	0	0	0
		A	0	1	0	0	0

Internal Audit Annual Report and
Opinion Statements 2020/2021

		G	0	4	0	1	0
12. Income - Payments	85%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	4	1	1	0
13. Cash Handling	86%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	0	0	0
14. Procurement/Sourcing	91%	R	0	0	0	0	0
		A	0	1	2	0	0
		G	0	5	3	2	1
15. Physical Assets/Locations	95%	R	0	0	0	0	0
		A	0	2	2	0	0
		G	0	4	8	4	1
16. Fraud	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	1	0	0	0
17. Business Continuity	100%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	2	6	5	0
18. Procedures	100%	R	0	0	0	0	0
		A	0	0	0	1	0
		G	0	6	3	1	1
19. Performance Management	93%	R	0	0	0	0	0
		A	0	1	1	0	0
		G	0	0	7	4	2
20. ICT Infrastructure	87%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	1	4	6	3	1
21. Handling of Requests/Incident Response	85%	R	0	0	0	0	0
		A	0	0	2	0	0
		G	2	3	1	1	0

2.3 Counter Fraud

The Counter Fraud Strategy has been revised and presented to this committee in October 2020. The actions included in the action plan have been implemented.

The National Fraud Initiative (NFI) has been undertaken during the year, the results are currently being examined and will be the subject of a further report later in the year.

3 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

3.1 Internal Audit is defined in the PSIAS as:-

“Internal auditing is an independent, objective and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Adherence to the PSIAS ensures that Internal Audit complies with this definition.

3.2 In addition to the performance information shown below the following is evidence demonstrating Internal Audit’s compliance with the PSIAS:-

- Independence/no interference – There has been no interference during the year that would require the escalation processes to be invoked.
- Access to records – The service has been provided access to all records/personnel required to undertake the work in the plan.
- Director of Finance, Development and Business Services’ operational responsibility – Appropriate arrangements have been put in place to allow an objective opinion of the other operational services for which the Director of Finance, Development and Business Services has responsibility.
- Staff skills mix – An appropriate mix of staff has been in place throughout the year as defined in the audit competency framework.
- Staff training – Training has been given to staff as required. Staff have also completed a minimum of 20 hours CPD.
- Code of Conduct for Auditors – All auditors have signed up to an audit code of conduct and there is no evidence that this has not been complied with.

Performance Indicators

3.3 The PSIAS are unequivocal in that a QAIP must include both internal and external assessments: internal assessments are both ongoing and periodical and external assessments at least once every five years.

3.4 An independent external peer review was last undertaken to assess the effectiveness of internal audit and compliance with the new standards in 2017/2018. The review concluded:-

- The Internal Audit service complies fully with all key requirements of the Standards, and overall the level of compliance is very high.
- On the basis of the assessment and supporting evidence the Internal Audit service is shown to be well managed. It provides a good standard of service covering all key aspects of its remit and is well regarded and effectively utilised by senior management.
- No significant issues have been identified by the assessment process. The opportunities for improvement will improve service delivery and effectiveness, but they do not in themselves represent a material risk to the Internal Audit service or its ability to deliver the audit programme.

3.5 The results of the performance measures are shown in the balanced scorecard below.

Quality, Assurance & Improvement Process

Period Covered July 2020 to June 2021

Page 123

Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 12 Months)	60	256
Portfolio Coverage (Period)	310	356
Presentation of Annual Report (Annual)	June	June
Presentation of Activity Report	Qtrly	Qtly

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	Qtrly
Fraud Strategy Review	31/03/2021	Oct 20
Client Satisfaction	TBC	
Recommendation Implementation	TBC	

Process		
Measure	Target	Performance
Self assessment against standards (Annual)	March	March
External Assessment (Every 5 Years)	31/03/2023	N/A
Staff Meetings Held (Period)	26	33
Up to Date Audit Manual	31/03/2021	February

People		
Measure	Target	Performance
Productivity (Period)	75%	76.3%
Training (Per Financial Year)	20	24.8
Code of Conduct (Annual)	100%	100%
Appraisals (Annual)	100%	100%

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**AUDIT COMMITTEE
28 JULY 2021**

ITEM NO.

TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2020/21

Responsible Cabinet Member - Councillor Charles Johnson, Resources Portfolio

Responsible Director – Elizabeth Davison, Group Director of Operations

SUMMARY REPORT

Purpose of the Report

1. This report provides important information regarding the regulation and management of the Council's borrowing, investments and cash-flow. It is a requirement of the Council's reporting procedures and by regulations issued under the Local Government Act 2003 to produce an annual treasury management review that covers treasury activity for 2020/21. The report also seeks approval of the Prudential Indicators results for 2020/21 in accordance with the Prudential Code.

Summary

2. The financial year 2020/21 was an unprecedented year with regard to treasury management due to the ongoing Covid-19 pandemic. Cost of borrowing remained low throughout 2020/21 and due to the Covid-19 pandemic the cost of shorter term borrowing is anticipated to remain low for a number of years in the future. However, as Members are aware due to the recent low returns for cash investments new ways to improve investment returns are continually being sought.
3. During 2020/21 the Council complied with its legislative and regulatory requirements. The borrowing need (**Table 1**) was only increased for capital purposes.
4. At 31st March 2021 the Council's external debt was £161.531m which is £20.130m less than the previous year, this reduction relates to not re-borrowing for matured debt due to an increase in the level of monies received by the Council. The average interest rate for borrowing increased from 2.60% in 2019/20 to 2.76% in 2020/21. Investments totalled £59.399m at 31st March 2021 (£56.799m at 31st March 2020) earning interest of 0.60% on short term cash investments and 2.33% on Property Fund units net of costs.
5. Financing costs have been reduced during the year and a saving of £0.265m has been achieved from the original MTFP. The savings are a mixture of reduced interest on debt as well as increased departmental prudential borrowing.

Recommendation

6. It is recommended that:
 - (a) The outturn 2020/21 Prudential Indicators within this report and those in **Appendix 1** be noted.
 - (b) The Treasury Management Annual Report for 2020/21 be noted.
 - (c) This report to be forwarded to Cabinet and Council, in order for the 2020/21 Prudential Indicators to be noted.

Reasons

7. The recommendations are supported by the following reasons:
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.
 - (b) To inform members of the Performance of the Treasury Management function.
 - (c) To comply with the requirements of the Local Government Act 2003.

Elizabeth Davison
Group Director of Operations

Background Papers

- (i) Accounting Records
- (ii) Annual Investment Strategy 2020/21
- (iii) Prudential Indicators and Treasury Management Strategy Report 2020/21

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Carbon Impact and Climate Change	There are no issues relating to carbon impact
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals do not affect any specific group
Budget and Policy Framework	The report does not change the Council's budget or Policy framework but needs to be considered by Council
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
Corporate Plan	The proposals in the report support delivery of the Council Plan through appropriate and effective deployment of the Councils Resources
Efficiency	The report outlines movements in the national economic outlook that have enabled officers to take advantage of different types of Investments and changing interest rates to benefit the Revenue MTFP.
Impact on Looked After Children and Care Leavers	Does this report impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

8. This report summarises:
 - (a) Capital expenditure and financing for 2020/21
 - (b) The Council's overall borrowing need
 - (c) Treasury position at 31st March 2021
 - (d) Prudential indicators and compliance issues
 - (e) The economic background for 2020/21
 - (f) A summary of the Treasury Management Strategy agreed for 2020/21
 - (g) Treasury Management activity during 2020/21
 - (h) Performance and risk benchmarking
9. Throughout this report a number of technical terms are used, a glossary of terms can be found at the end of this report.

The Council's Capital Expenditure and Financing 2020/21

10. The Council undertakes capital expenditure on long term assets, which is financed either:
 - (a) immediately through capital receipts, capital grants, contributions and from revenue; or
 - (b) if insufficient financing is available, by borrowing.
11. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flow, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost and then optimise performance.
12. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £8.254m less than planned, mostly down to reduced activity in the HRA resulting from the Covid-19 pandemic (and lockdown) which restricted access to social housing properties. However, the mix of funding differs from that which was expected as some schemes progressed quicker than others. This impacted slightly on the borrowing needed to fund expenditure which was £2.198m higher than initially anticipated.

Table 1 – Capital Expenditure and Financing

	2019/20	2020/21		
	Outturn £m	Revised Estimate £m	Outturn £m	Variance £m
General Fund Capital Expenditure	23.111	20.130	20.094	(0.036)
HRA Capital Expenditure	11.963	14.900	6.434	(8.466)
Loans to Joint Ventures etc	7.865	3.253	3.501	0.248
Total Capital Expenditure	42.939	38.283	30.029	(8.254)
Resourced by:				
Capital Receipts GF	2.348	0.963	2.538	1.575
Capital receipts Housing	1.432	0.303	0.684	0.381
JV Loans Repaid	0.000	6.485	6.200	(0.285)
Capital Grants	16.705	14.917	11.717	(3.200)
Capital Contributions	0.162	0.000	0.029	0.029
Revenue Contributions - GF	0.956	0.000	0.145	0.145
Revenue Contributions - HRA	7.411	14.597	5.750	(8.847)
Self-Financing - GF	0.000	0.250	0.000	(0.250)
Total Resources	29.014	37.515	27.063	(10.452)
Borrowing needed to finance expenditure	13.925	0.768	2.966	2.198

The Council's Overall Borrowing Need

13. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The figure is a gauge for the Council's debt position. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents 2020/21 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources.
14. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the government, through Public Works Loan Board (PWLB), or the money markets) or utilising temporary cash resources within the Council.
15. The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
16. The total CFR can be reduced each year through a Voluntary Revenue Provision (VRP) or by the application of additional capital financing resources (such as unapplied capital receipts).

17. The Council's CFR for the year is shown in Table 2 and represents a key prudential indicator. The CFR outturn for 2020/21 is £220.685m which is £2.368m higher than approved due to the increased borrowing need required to finance the additional capital expenditure in 2020/21.
18. No MRP repayments were made on the General Fund debt in line with the report to Council on 23 February 2017.

Table 2 - Capital Financing Requirement

	2019/20	2020/21		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	207.347	219.488	219.488	0.000
Add Capital Expenditure financed by borrowing	13.925	0.768	2.966	2.198
Less MRP/VRP Housing	(0.629)	(0.799)	(0.629)	0.170
Less MRP/VRP PFI	(1.155)	(1.140)	(1.140)	0.000
Closing balance	219.488	218.317	220.685	2.368

Treasury Position at 31 March 2021

19. Whilst the measure of the Council's underlying need to borrow is the CFR, the Group Director of Operations can manage the Council's actual borrowing position by:
- (a) borrowing to the CFR level; or
 - (b) choosing to utilise some temporary cash flows instead of borrowing ("under borrowing"); or
 - (c) borrowing for future increases in CFR (borrowing in advance of need, the "over borrowed" amount can be invested).
20. The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices.
21. The Council's total debt outstanding at 31 March 2021 was £161.531m. In addition to this, a liability of £10.358m relating to the PFI scheme and Finance Leases brings the total to £171.889m. The Council's revised CFR position was estimated to be £218.317m, however, the actual out turn position was £220.685m. When comparing this to our actual borrowing of £171.889m this meant that the Council was "under borrowed" by £48.796m. This "under borrowed" amount was financed by internal borrowing which means that the amount that could have been invested externally was reduced to cover this. The reduced under borrowed position still has

the dual effect of reducing costs to the MTFP because borrowing costs are generally greater than investment returns and it reduces counterparty risk by reducing our exposure to banks and other financial institutions.

22. The treasury position at 31 March 2021, including investments compared with the previous year is shown in table 3 below.

Table 3 – Summary of Borrowing and Investments

Treasury Position	31 March 2020		31 March 2021	
	Principal £m	Average Rate %	Principal £m	Net Annualised Average Rate %
General Debt - Fixed Rate Debt, Market and Public Works Loan Board (PWLB)	156.661	2.97%	136.531	2.98%
Property Fund Borrowing	25.000	1.41%	25.000	1.42%
Total Debt	181.661	2.60%	161.531	2.76%
Cashflow Investments up to 6 months	21.800	0.91%	19.400	0.09%
Capital Investments over 6 months	5.000	1.05%	10.000	0.96%
Property Fund Investment - net of costs	29.999	2.20%	29.999	2.33%
Total Investments	56.799		59.399	
Net borrowing position	124.862		102.132	

Prudential Indicators and Compliance Issues

23. Some prudential indicators provide an overview while others are specific limits on treasury activity. These indicators are shown below:
24. **Gross Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4 – Gross Borrowing Compared with CFR

	31 March 2020 Actual £m	31 March 2021 Approved Indicator £m	31 March 2021 Actual £m
Gross Borrowing Position	181.661	188.760	161.531
PFI and Finance Lease Liability	11.498	10.358	10.358
CFR Excluding PFI & leases	207.991	207.959	210.327
CFR	219.489	218.317	220.685

25. **The Authorised Limit** – The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.
26. **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.
27. **Actual financing costs as a proportion of net revenue expenditure** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue expenditure. The actual for this indicator has risen from the previous year due to an increase in the Financing costs outturn.

Table 5 – Key Prudential Indicators

	Actual 2019/20 £m	Original Approved Limits 2020/21 £m	Revised Approved Limits 2020/21 £m	Actual Total Liabilities Borrowing + PFI/ leases 2020/21 Maximum £m
Approved Indicator – Authorised Limit	193.159	237.342	229.233	171.889
Approved Indicator – Operational Boundary	193.159	197.118	188.018	171.889
Financing costs as a percentage of net revenue expenditure	2.02%	2.37%	2.55%	2.39%

28. At 31st March 2021 the total liabilities were £171.889m which is below both the approved Authorised Limit and the approved Operational Boundary. The Operational Boundary is the point at which we expect borrowing to be, but it can be lower or higher. Borrowing cannot exceed the Authorised Limit.
29. A further four prudential indicators are detailed in Appendix 1.

Economic Background for 2020/21

30. A summary of the general economic conditions that have prevailed through 2020/21 provided by Link Asset Services, the Council's treasury management advisors is attached at **Appendix 2**.

Summary of the Treasury Management Strategy agreed for 2020/21

31. The revised Prudential Indicators anticipated that during 2020/21 the Council would need to borrow £0.768m to finance part of its capital programme, whereas the actual outturn figure was £2.966m.
32. The Annual Investment Strategy stated that the use of specified (usually less than 1 year) and non-specified (usually more than 1 year) investments would be carefully balanced to ensure that the Council has appropriate liquidity for its operational needs. In the normal course of the Council's business it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.
33. Longer term instruments (greater than one year from inception to repayment) will only be used where the Council's liquidity requirements are safeguarded. An estimate of long term investments (over 1 year) were included in the report on the Prudential Indicators update these were as follows £50m for 2019/20 and £50m for 2020/21. No other investments of over 1 year duration have been made during 2020/21.

Treasury Management Activity during 2020/21

Borrowing Strategy

34. This reduced during 2020/21 by £20.130m in total. During the year and mainly due to the ongoing Covid-19 pandemic, the Council has received approximately £70m in additional grant funding from the government which has aided cashflow and allowed the Council to have a more flexible approach to its borrowing strategy.
35. During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.
36. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
37. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years (see table 6 below). However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Table 6 – net borrowing

	Market Loans (incl. other Local Authorities)			Total
	Amount £m	Length of Loan	Interest Rate %	£m
New Loans Taken				
	2.000	1 year	0.90%	
	3.000	1 year	0.90%	
	5.000	1 year	0.90%	
	5.000	1 year	0.20%	
				15.000
Loans Repaid				
	(5.000)	2 years	1.45%	
	(5.000)	22 months	1.40%	
	(2.000)	1 year	1.02%	
	(3.000)	1 year	1.02%	
	(5.000)	1 year	0.83%	
	(5.000)	9 months	0.80%	
	(5.000)	5 months	0.80%	
	(5.000)	1 year	1.00%	
				(35.000)
Total New Borrowing	(20.000)			(20.000)

38. The additional funding was utilised to not replace maturing short term loans.

39. **Summary of Debt Transactions** –The consolidated rate of interest still increased from 2.60% to 2.76% due to the above transactions as the majority of the debt repaid was at a lower interest rate than the longer term debt still held.

Investment Position

40. **Investment Policy** – the Council's investment policy for 2020/21 is governed by the MHCLG Guidance which has been implemented in the annual investment strategy for 2020/21 approved by Council on 20 February 2020.

41. The investment activity during the year conformed to the approved Strategy and the Council had no liquidity difficulties.

42. Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which

caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.

43. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
44. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
45. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.
46. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office and bank short term notice accounts. Short term investments of up to a year earned interest of £175k on an average balance of £29.088m which equated to an annual average interest rate of 0.60%
47. The Council also has longer term investments which consist of the property funds and the returns are shown below in **Table 7**.

Table 7 – Longer Term 6 months to 5 years - Property Funds

	Original Budget 2020/21	Actual 2020/21
Daily average level of Investments	£29.999m	£29.999m
Interest earned (gross)	£1.061m	£1.054m
Average Rate of Return on Investment Interest earned (gross)	3.54%	3.51%
Average Rate of Return on Investment (net of costs)	2.31%	2.33%

Performance and Risk Benchmarking

48. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance.
49. The following reports the current position against the benchmarks originally approved.
50. Security – The Council’s maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables was set as follows:

0.077% historic risk of default when compared to the whole portfolio

51. **Table 8** shows that there has been a fluctuation in the historic levels of default over the year although still well below the benchmark. This is mainly due to some longer term investments actually being made for shorter terms i.e. up to six months rather than 1 year as these investments were better value than longer term investments and were also a better fit with how the council was expecting to utilise investments. It also shows more emphasis being placed on counterparties with a higher credit rating.
52. The investment portfolio was maintained within this overall benchmark during this year as shown in Table 8.

Table 8

Maximum	Benchmark 2020/21	Actual June 2020	Actual October 2020	Actual January 2021	Actual March 2021
Year 1	0.077%	0.009%	0.005%	0.003%	0.013%

53. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to counterparties is virtually nil.
54. Liquidity – In respect of this area the Council set liquidity facilities/benchmark to maintain
- (a) Bank Overdraft £0.100M
 - (b) Liquid short term deposits of at least £3.000M available within a weeks’ notice.
 - (c) Weighted Average Life benchmark is expected to be 146 days with a maximum of 1 year.

55. Liquidity arrangements have been adequate for the year to date as shown in **Table 9**.

Table 9

	Benchmark	Actual June 2020	Actual October 2020	Actual January 2021	Actual March 2021
Weighted Average life	146 days to 1 year	113 days	62 days	30days	90 days

56. The figures are for the whole portfolio of cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice) as well as call accounts that include a certain amount of notice required to recall the funds.

57. Yield - In respect of this area performance indicators relating to interest rates for borrowing and investments were set with reference to comparative interest rates. For borrowing, the indicator is the average rate paid during the year compared with the previous year. Investment rates are compared with a representative set of comparative rates.

Risk

58. The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:-

- (a) The Local Government Act 2003(the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- (b) The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2017/18).
- (c) Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.
- (d) The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.
- (e) The SI also requires the Council to operate the overall treasury function with regard to the CIPFA code of Practice for Treasury Management in Public Services.
- (f) Under the Act the Department for Communities and Local Government has issued Investment Guidance to structure and regulate the Council's investment activities.
- (g) Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

59. The Councils Treasury Management function has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with

its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

60. Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Capita Asset Services, the Council's advisers, have proactively managed the debt and investments over the year.

Treasury Management Budget

61. There are three main elements within the Treasury Management Budget:-

- (a) Long Term capital investments including Property Funds which earns interest, this comprises of the Council's revenue and capital balances, unused capital receipts, reserves and provisions.
- (b) Cash flow interest earned – the authority has consistently had positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipts of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
- (c) Debt servicing costs – This is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 10 - Changes to the Treasury Management Budget 2020/21

	£m	£m
Original Treasury Management Budget		0.895
Debt		
Reduced interest payable on debt	(0.150)	
Further savings on MRP due to increased departmental borrowing	(0.176)	(0.326)
Investments		
Increased investment income including property funds etc		(0.403)
Transfer to IFRS 9 reserve		0.500
Other Costs		
Less reduced brokerage charges		(0.036)
Outturn Treasury Management Budget 2020/21		0.630

62. The savings relate to a reduction in the interest payable on debt due to the cost of short term borrowing and reduced debt levels as well as increased departmental borrowing. There has also been an increase in the interest received on investments due to the cashflow levels, this has been offset by a transfer to a reserve to mitigate the potential realisation of IFRS 9 whereby the Council might need to show any capital loss of its investments through fair value in its single entity accounts unless the Government extends the end date.

Conclusion

63. The Council's treasury management activity during 2020/21 has been carried out in accordance with Council Policy and within legal limits. Financing costs have been reduced during the year and a saving of £0.265m achieved from the original MTFP.

Outcome of Consultation

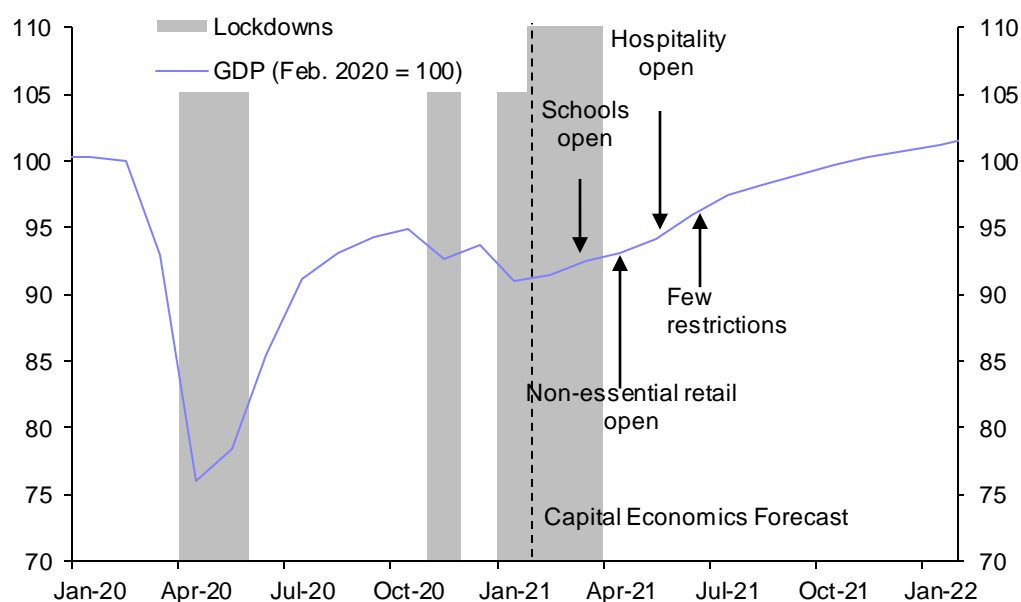
64. No formal consultation has been undertaken regarding this report.

Additional Prudential Indicators not reported in the body of the report

		2019/20 Actual	2020/21 Approved Indicator	2020/21 Outturn
1	limits on fixed interest rates	79%	100%	88%
2	limits on variable interest rates	21%	40%	12%
3	Maturity structure of fixed interest rate borrowing (upper Limit)			
	Under 12 months	21%	40%	12%
	12 months to 2 years	27%	50%	22%
	2 years to 5 years	38%	60%	25%
	5 years to 10 years	45%	90%	35%
	10 years and above	100%	100%	100%
4	Maximum Principal funds invested greater than 364 days	£50m	£50m	£50m

The Economy and Interest Rates

UK. Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The **Monetary Policy Committee** cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and **achieving the 2% target sustainably**". That seems designed to say, in effect, that even if inflation rises to 2% in a

couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

USA. The US economy did not suffer as much damage as the UK economy due to the pandemic. The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn (8.8% of GDP) stimulus package in March on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a \$2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

After Chair Jerome Powell spoke on the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed a new inflation target - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth during 2021 to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping treasury yields at historically low levels. However, financial markets in 2021 have been concerned that the sheer amount of fiscal stimulus, on top of highly accommodative

monetary policy, could be over-kill leading to a rapid elimination of spare capacity in the economy and generating higher inflation much quicker than the Fed expects. They have also been concerned as to how and when the Fed will eventually wind down its programme of monthly QE purchases of treasuries. These concerns have pushed treasury yields sharply up in the US in 2021 and is likely to have also exerted some upward pressure on gilt yields in the UK.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation was well under 2% during 2020/21. **The ECB** did not cut its main rate of -0.5% further into negative territory during 2020/21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, **unlikely to be a euro crisis** while the ECB is able to maintain this level of support.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth.

Japan. Three rounds of government fiscal support in 2020 together with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum in 2021, should help to ensure a strong recovery in 2021 and to get back to pre-virus levels by Q3.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Glossary of Terms

Capital Financing Requirement (CFR)	This is the Councils underlying need to borrow which can be traced back to the Councils Balance Sheet and the value of the Councils assets which have yet to be paid for.
Minimum Revenue Provision (MRP)	Monies set aside from the revenue budget to repay accumulated debt.
Call	Investments that can be returned without a period of notice
Counterparty	Institutions, Banks etc. that with make investments or take out loans with.
Specified Investments	Investments in Banks and Building Societies with a high credit rating for periods of less than 1 year
Non-Specified Investments	Investments in un-rated Building Societies and any investments in Banks and Building Societies for more than 1 year.
Operational Liquidity	Working Cash flow
Authorised Limit	Maximum amount of borrowing that could be taken in total.
Operational Boundary	The expected amount of borrowing assumed in total.
PWLB	Public Works Loan Board. The Governments lending body to Local Authorities
Discount	Amount payable by the PWLB when loans are repaid if the current loan rate is less than the rate borne by the original debt
Yield Curve	Is a graph that shows the relationship between the interest rate paid and length of time to repayment of a loan.
Gilts	Government Borrowing Bonds
Spreads	The difference between the highest rate of interest and the lowest rate of interest earned/charged on any one particular maturity period i.e. 1 year, 2 year 5 year etc.
LIBID	London Interbank Bid Rate. The average rate at which a bank is willing to borrow from another bank.
LIBOR	London Interbank Offer Rate. The average rate at which a bank is willing to lend to another bank. LIBOR is always higher than the corresponding bid rate and the difference between the two rates is known as the spread.

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