



DARLINGTON

Borough Council

Audit Committee Agenda

10.00 am

Wednesday, 25 January 2023

Council Chamber, Town Hall, Darlington. DL1 5QT

Members of the Public are welcome to attend this Meeting.

1. Introductions/Attendance at Meeting
2. Declarations of Interest
3. To approve the Minutes of the Audit Committee held on 28 September 2022 (Pages 3 - 8)
4. Final Accounts Timetable for the Year Ended 31 March 2023 –
Report of the Group Director of Operations
(Pages 9 - 14)
5. Mid Year Risk Management Update Report 2022/23 –
Report of the Chief Executive
(Pages 15 - 34)
6. Audit Services - Activity Report –
Report of the Audit and Risk Manager
(Pages 35 - 58)
7. Prudential Indicators and Treasury Management Strategy Report 2023/24 –
Report of the Group Director of Operations
(Pages 59 - 90)
8. 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

9. Questions

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

Luke Swinhoe
Assistant Director Law and Governance

Tuesday, 17 January 2023

Town Hall
Darlington.

Membership

Councillors Lee, Crudass, Baldwin, McEwan, Paley and Mrs H Scott

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, Operations 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, 28 September 2022

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

APOLOGIES – Councillors Paley and Mrs H Scott,

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Brett Nielsen (Assistant Director Resources), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Ian Miles (Assistant Director Xentrall Shared Services) and Allison Hill (Democratic Officer)

A12 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A13 TO APPROVE THE MINUTES OF THE AUDIT COMMITTEE HELD ON 20 JULY 2022

Submitted – The Minutes (previously circulated) of the Audit Committee held on 20 July 2022.

RESOLVED – That the Minutes of the Audit Committee held on 20 July 2022 be approved as a correct record.

A14 ANNUAL GRANTS CERTIFICATION REPORT 2020/21

The Group Director of Operations 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 Council had engaged its external auditors Ernst and Young (EY) to act as reporting accountants (as per the regulations) in respect of the Housing Subsidy claim, Teachers Pensions and the Housing Pooling return; EY had not identified any significant issues that required being brought to the attention of Members from any of these claims; and the total charge for all of the grants was £21,500.

RESOLVED – That the report be noted.

A15 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT

The Assistant Director Law and Governance submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

The submitted report gave members an update of information about issues relevant to member standards since matters were reported to the Committee in April 2022 and also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council.

By reviewing these indicators it is hoped 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; and it was reported that there were no particular issues of concern that had been identified from reviewing the data.

The submitted report also advised Members that the Independent Person, Joanne Kidd had been appointed by Her Majesty the Queen on advice from the Lord Chancellor to become a Circuit Judge and that there was currently a vacancy for this role, which was established by the Localism Act 2011 to appoint at least one Independent Person.

While the member complaints function is the primary role, an addition function was added by subsequent legislation, requiring that they should be consulted if there is a proposal to dismiss one of the council's statutory officers (ie Head of Paid Service, Chief Finance Officer or the Monitoring Officer). In this capacity the Independent Person would sit as a member of the Human Resources Advisory Panel.

It was also reported that in order provide cover in the event non availability or conflicts, to share the workload and to help and to provide greater resilience in the event of a vacancy, it was decided (should there be suitable candidates) to recruit two Independent Persons and the position was advertised on Jobs North East from 21 July 2022 to the closing date of 22 August 2022; and a Recruitment Panel was convened to shortlist and interviews were held on 9 September 2022 and Beverley Boal and Julie Mathieson were recommended to Council to approve appointment at its meeting on 29 September 2022.

RESOLVED – (a) That the report be noted.

(b) That the Audit Committee congratulate Joanne Kidd on her appointment and wish her well in her new role.

A16 EXTERNAL AUDIT PLAN 2021/22

The Group Director of Operations submitted a report (previously circulated) to present the External Audit Planning Report for 2021-22 prepared by the Council's appointed external auditors, Ernst & Young (EY).

A representative of Ernst and Young had intended to attend the meeting to present the report and answered Members questions thereon however apologies were submitted.

Members agreed that this was disappointing and requested that Members be given an opportunity meet with EY to discuss the External Audit Plan.

RESOLVED – That the External Audit Plan for 2021-22 be noted.

A17 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT

The Assistant Director Xentrall Shared Services submitted a report (previously circulated) to provide a six-monthly report to the Audit Committee on progress in relation to the implementation of the ICT Strategy.

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

This submitted report summarised progress on the main activities within each of these priorities.

Discussion ensued on digital exclusion and the Assistant Director Xentrall Shared Services advised Members that this had been recognised by the Council and that he would provide a further report to Members on digital divide.

RESOLVED – That the report be noted.

A18 INFORMATION GOVERNANCE PROGRAMME - PROGRESS REPORT

The Group Director of Operations submitted a report (previously circulated) to provide a six monthly update to the Audit Committee as required by The Systems and Information Governance Group (SIGG) and to outline planned developments of the information governance programme.

It was reported that the ongoing delivery of the information governance programme continued to provide the assurance required to reduce the information risks to an acceptable level and outlined the ongoing works.

It was also reported that the area of highest priority was the Microsoft Office 365 Programme.

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

A19 MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2022/23

The Group Director of Operations submitted a report (previously circulated) to seek Members approval of the revised Treasury Management Strategy, Prudential Indicators and provide Members with a mid-yearly review of the Council's borrowing and investment activities.

It was reported that the mandatory Prudential Code, which governs Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing; and the indicators were set out in three statutory reports namely, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update (which follows Council approval in February 2022 of the 2022/23 Prudential Indicators and Treasury Management Strategy).

The key objectives of the three annual reports were set out in the submitted report, together with the key proposed revisions to the prudential indicators which related to a reduction in the Operational Boundary to £156.699m and the Authorised Limit to £239.879m to allow for any additional cashflow requirement.

With regard to Capital Expenditure, the submitted report highlighted the original elements of the capital programme and the revised estimates for 2022/23; and the reduction in Borrowing Need which was around £25.1m due to slippage in the Housing Programme and the Railway Heritage Quarter which was predominately grant funded.

Reference was also made to investments to include £30m in property funds which was expected to increase the net return on investments by around £0.340m in future years; and the Treasury Management Budget which was forecast to Outturn on budget in 2022/23, this will be reflected in the current MTFP projections.

Members discussed Table 7 of the submitted report and the recent increase in the interest rates and agreed that the report be updated prior to submission to Cabinet to reflect the current position regarding the interest rates.

RESOLVED – That the submitted report, with an update on the current position of interest rates, be referred to Council via Cabinet and that it be advised that this Audit Committee approves the revised prudential indicators and limits; and notes the Treasury Management Budget (Financing Costs) projected outturn.

A20 ANTI FRAUD AND CORRUPTION STRATEGY 2022/23

The Audit and Risk Manager submitted a report (previously circulated) to advise Members of the Anti-Fraud and Corruption Arrangements for the period 2022/23.

It was reported that estimates suggested that in excess of £300m is lost to fraud in local government and it was imperative to ensure the funds Councils have are not being lost to fraudsters.

The Chartered Institute of Public Finance and Accountancy (CIPFA) take the lead on providing advice and guidance to the sector on managing the fraud risk and also co-ordinate annual surveys of fraudulent activity detected across local government; they also published a Code of Practice on Managing the Risk of Fraud and Corruption in October 2014 containing five distinctive strands.

It was also reported that the 2022/23 Strategy (appended to the submitted report) had been developed in line with the code of practice with each of the five themes addressed and the format of the strategy had been redefined from previous versions to improve the visual appeal of the strategy and make it more effective.

The submitted report also gave an update on the actions identified in the 2021/22 Strategy.

RESOLVED – That the 2022/23 Anti-Fraud and Corruption Strategy be noted.

A21 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 and results be noted.

This page is intentionally left blank

**AUDIT COMMITTEE
25 JANUARY 2023**

FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2023

SUMMARY REPORT

Purpose of the Report

1. To provide Members with the Final Accounts Closedown Timetable for 2022/23. This timetable details the target dates for key actions in order to complete the Statement of Accounts (SoA) in line with statutory deadlines.

Summary

2. Under the regulations it is the responsibility of the Group Director of Operations to sign and certify the unaudited SoA 2022/23 by no later than 31 May 2023 and it is also the responsibility of the Audit Committee to approve the audited set of accounts on or before 30 September 2023.
3. The final accounts timetable serves as a tool for monitoring progress against the target dates to ensure compliance with the statutory deadlines. The enclosed timetable will aim to comply with the date of 31 May for the unaudited SoA so that there is less disruption to the normal work schedule of the Council.

Recommendation

4. Members are asked to note the key dates in the Final Accounts Timetable for 2022/23 detailed in Appendix 1.

Reasons

5. The recommendations are supported to provide the Audit Committee with evidence to reflect on progress in delivery of the 2022/23 Statement of Accounts.

**Elizabeth Davison
Group Director of Operations**

Background Papers

Code of Practice on Local Authority Accounting in the UK 2022/23

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	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.
Council Plan	There is no specific relevance to the Council 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.

MAIN REPORT

6. The Accounts and Audit (Amendment) Regulations 2022 require that the responsible financial officer, by no later than the 31 May, signs and certifies that the SoA presents a true and fair view of the financial position of the Council for the year to 31 March previous, subject to the views of the External Auditor, Ernst & Young (EY).
7. The Regulations then require that 'but not later than 30 September', approval needs to be given to the SoA by resolution of a committee, which for Darlington is the Audit Committee. This approval will take into account the views of the External Auditor.
8. The Final Accounts timetable (**Appendix 1**) is a tool for the effective management and monitoring of the process of closing the Council's accounts.
9. The timetable is compiled annually by Finance with input from services to ensure that deadlines are achievable and will lead to completion of a SoA for signing by the Section 151 Officer (the responsible financial officer) by the statutory deadline. New and amended processes are considered for the impact on the achievement of dates, as well as reference to the previous year's problems and meeting of deadlines.
10. The enclosed timetable will enable Finance to produce an unaudited SoA by the 31 May 2023, which will then not distract from the other 'business as usual' such as reviewing the Medium Term Financial Plan.
11. The Finance Manager closely monitors the achievement of the dates in the timetable throughout the final accounts period, following up delays and missed deadlines. This helps

to ensure that the overall timetable will be achieved and to identify improvements that can be made to the process.

2022/23 Accounts - General Closure Timetable

<u>Date for Completion</u>	<u>Item</u>
March	31 On-line goods receipting of orders relating to 2022/23 to be completed (including order authorisation).
	31 End of facility for on-line processing of purchase invoices in Business World On! relating to 2022/23 to be posted to period 12 of that year.
	31 Capital Charges to revenue accounts
April	7 All interface files posted to Council's General Ledger
	7 Petty cash and stock valuation certificates, certified by authorised signatories, sent to Financial Services.
	7 Details of purchase invoices and sundry debtor accounts relating to 2022/23 not paid by 31/03/2023 to be given to Departmental Finance Teams for provision in 2022/23 accounts (invoice values above £500 only).
	14 Bank reconciliation to be completed
	14 Work in progress, Retentions & Income in Advance from Building Services included in accounts for both trading and client accounts. Expenditure provisions and provision for future losses for Trading Accounts in Place based Services.
	14 All expenditure and income relating to 2022/23 identified and included in accounts to enable progress of next stages of process.
	14 Control accounts balanced and all holding accounts cleared.
	14 Internal recharges completed including inter-departmental recharges.
	14 Intra-departmental apportionments and reallocations completed
	28 Comparison of out-turn income and expenditure with approved budgets - including analysis of significant variances and any resulting corrective action including coding corrections.
	28 Departmental Financing of capital expenditure.
	28 Accounts Closed
May	1 Commence process of consolidation of individual cost-centre and subjective level accounts into statutory format for Statement of Accounts (SoA).
	31 Produce signed unaudited Statement of Accounts.

Sept 27 Audit Committee Meeting – approval of Statement of Accounts
27 Publication of audited Statement of Accounts

This page is intentionally left blank

AUDIT COMMITTEE
25 January 2023

MID YEAR RISK MANAGEMENT UPDATE REPORT 2022/23

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 risks.

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) Annual Risk Management Report to Audit Committee 2021/22

Lee Downey5451

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
Council Plan	Maintaining an appropriate oversight of risk will help contribute to the delivery of the Council Plan Objectives
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 set out in the Council plan, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact matrix. There is also 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. they are priorities for improvement that have an appropriate improvement action plan.
7. Following a review of the Council's Risk Management Strategy, the risks plotted on the matrices are now categorised as Strategic Risks and linked to the relevant objective in the Council Plan, where appropriate. This is to ensure there is a greater focus on managing the risks to the Council delivering the objectives set out in the Council Plan and to ensure more effective management of inter-departmental risks. The revised risk matrices are attached at **Appendices A and B**.
8. 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.
9. 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) **Strategic Risks** (Appendix B) – nine risks have been identified as above the risk appetite line.
 - i. **(SR15 Risk Reworded) Inability to cope with significant increase in homelessness cases following the impact of COVID**

Additional funding has been provided by the Department for Levelling Up, Housing and Communities (DLUHC) for homeless services. More accommodation and support has been commissioned to cope with increased demand and additional staff have been recruited to the Housing Options Team.

However, demand for emergency accommodation has remained high with the shortage of appropriate move on accommodation exacerbating the issue.

ii. (SR16) Inability to contain placement costs for children looked after

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.

iii. (SR18) Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service

Adult Services intend to undertake a timely national recruitment campaign to recruit to recently vacated posts, with agency cover to be arranged as required.

iv. (SR20) Increased demand for Adult Services impacts negatively on plans for budget efficiencies

There is increasing demand for adult social care and support specifically domiciliary care, aides, adaptations and support for people with significant learning disabilities. People are living with multiple conditions and disabilities and require intensive support to remain at home and as independent as possible. Covid has also had a significant impact on peoples wellbeing and support needs. Adult Social Care will continue with the Transformation Programme, and ensure that all assessments are strength based and outcome focussed with the support of the local community. Performance, practice and quality will be continuously monitored and reviewed to ensure we reduce, delay and prevent people from requiring care and support prematurely. Funding streams and grants from the Department of Health & Social Care will support the demand management and provide some temporary cost mitigation. However, with the introduction of the Integrated Care Systems there is further dialogue required to understand the resources available to support post covid recovery.

v. (SR21) Increased demand for Children's services impacts negatively on budget

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.

- vi. **(SR27) Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures**

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.

- vii. **(SR34 Risk Reworded) Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands**

Within the construction industry there continues to be issues with rises in material prices 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. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates.

- viii. **(SR39) The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area.**

Nutrient Neutrality remains a risk for the Council in regards to meeting its housing targets. The impact is yet to be fully realised as it only affects new applications. The Council has been working closely with Natural England who will be publishing a mitigation strategy for developers on how they can ensure future building programmes meet the obligations of Nutrient Neutrality. It is expected this strategy will be published in early 2023.

- ix. **(SR44 New Risk) April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a "requiring improvement" outcome.**

Adult Services have an implementation plan in place, containing identified actions to complete including, user feedback and engagement, evidence of quality of practice and outcomes and strategic leadership and engagement.

Operational Risk Outcomes

10. The Insurance Group continues to meet representatives of the Council's insurers to examine insurance claims. The insurers provide the group with an update in relation to trends and operational risks to enable continuous improvement to the risk management and health and safety culture within the organisation.

11. Health and Safety continues to be a key priority for the Council at all levels and continues to be promoted through all working practices. The total number of reports to the HSE, as required by the Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) was 10 at the time of writing. All accidents and ill health reports are investigated by management and the Health & Safety Team to establish the causes, to identify issues or trends and make recommendations to prevent reoccurrence.
12. Reducing the risk of violence and aggression to staff continues to be a focus, including further work to embed the use of the Employee Protection Register across the Council and improving the use of personal safety devices. These devices are a discreet portable worker safety solution. In times of emergency the employee can summon help via the device and in a potentially threatening situation have someone listening in to assess the situation and take appropriate action i.e. call the police. This year 15 devices have been activated with genuine red alerts. This includes employees who were working in twos who both activated the alert when threatened. On 8 occasions the police were contacted by the Alarm Receiving Centre or the user and in some cases by both, all activations were closed safely without staff being harmed.
13. A full programme of health and safety audits will be completed in 2022/23. The purpose of the audit was to assess service areas compliance with the internal documented health and safety management system as well as applicable legislation and best practice. In addition to ensuring compliance, the audit process provides information for the assessment of the overall performance and effectiveness of the management system and identifying areas for improvement.
14. Following the 2021 staff survey, HR have undertaken staff focus groups to better understand the results of the survey and identify any areas for improvement. Staff taking part were asked questions about survey highlights, successes, hot spots and areas where we could do better. Themes suggest that the Council needs to work on:
 - (a) Increased communications and trust between front line employees, through line managers and senior officers.
 - (b) Senior officers being visible to employees particularly remote workers.
 - (c) Teams having knowledge/understanding about the wider Council and how they fit within it.
 - (d) Employees feeling valued by management.
 - (e) Health and wellbeing to be a priority Council wide.

Actions have been taken to start to address these issues above through the Senior Management Network.

15. The agile work project required officers to consider the health and safety implications of 'the new ways of working' including the provision of suitable display screen equipment, fire procedures and appropriate first aid provision, to ensure compliance with legal requirements. The implementation and suitability of these arrangements will be monitored throughout the pilot. A decision may be taken at the end of the project regarding whether to continue with the new ways of working going forward, after which some HR policies and procedures may need to be reviewed e.g. flexitime and travel and

subsistence. It is not anticipated that there will be an increase in those employees designated as home workers. However, any risks in this respect will be managed accordingly.

16. It was previously reported that in March 2020 a new Street Works Permit Scheme has been implemented in Darlington. The Permit Scheme requires all works promoters to provide adequate information when they intend to undertake works in the carriageways, footways and verges within the adopted highway to enable us to understand and more easily manage the impact of these essential works on the highway network.
17. The second Annual Report on the scheme is available on the Council's [website](#). There are no issues expected to be highlighted within this report.
18. The new "Report It" website for highway & street lighting defects has now received over 2,500 reports since it was introduced in June 2021. We can now begin to compare data. For example, in the period July to October 2021, Report It received 157 pothole/road condition reports. For the same period in 2022 the figure was 78. This reduction is reflected in the number of potholes repaired, including those identified on routine inspection. For the period July to October 2021, 1,937 potholes were repaired. For the same period in 2022 the figure was 1,306.
19. It is likely that the continuing micro-asphalt programme as well as a mild winter last year helped to reduce the number of potholes forming. We continue to carry out highway safety inspections at a suitable frequency to ensure that potholes are identified and repaired as soon as possible.
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. Work is now underway to convert sign lanterns to LED, this work will be complete this financial year.
21. Work is now in progress to prioritise and design the maintenance schemes for 2023/24, this includes looking at using alternative materials which will help to reduce our carbon emissions and prolong the life of some of our roads.
22. A total of 13 schemes will be completed as part of this year's surfacing program including 2 footways, 1 back lane, 1 cycling scheme and 7 km of micro-asphalt surfacing.
23. The proactive tree risk management processes continues 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 OH Technician. The service also provides an OH Doctor via a contract with Durham County Council, all postholders 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. The half year outturn is 4.85 days per full time employee (FTE), this equates to an attendance rate of 95.6%, a reduction (worse) of 1% compared to the same time last year. The predicted year end outturn is 10.29 FTE days (95.3% attendance rate). This is 2.79 days over the Council target of 7.5 days and 2 days more than the 2021/22 outturn. Compared to the same point in 2021/22 time lost to sickness absence has increased by 1398 days (929 long term and 469 short term).
26. The free flu jab initiative has continued in 2022 and remains popular, as is the new booking system, making the process slicker for employees, Human Resources (HR) and the OH Teams. Five clinics have been provided for Council employees with a total of 379 vaccines administered. Quantifying the wider impact of vaccinations on our workforce is not possible but it is likely that by vaccinating our employees we are protecting our clients, families and community. It appears that these clinics are having an effect, as the latest performance reports from the NHS puts Darlington PCN as one of the highest uptake in social care workers in the Tees Valley and in the top 20 across the North East and Cumbria.
27. Mental Health First Aiders and Mentors (MHFA/M) continue to be utilised. The availability of MHFA for employees to talk remains a frequent topic on communications, with the informal 'Tea and Talk' chats to share ideas about boosting mental health, wellbeing and getting help and advice about mental health in general. These were extended to 'Meet your MHFA face to face sessions held in November. Our confidential Counselling Service continues to be well used, issues covered include general anxiety, concerns for family, bereavement, Covid and stress, both personal and work related. Alliance have also delivered some targeted wellness sessions for us over the summer, including Adapting to Change, Self-Care & Wellbeing and Self-Care When Dealing With Secondary Trauma.
28. Wellbeing activities and events continue to be a key feature of the wellbeing strategy, with events on-going and booked in advance. Menopause and domestic abuse and mental health awareness have proved popular over the past few months. Health promotion and awareness will continue to be a focus for monthly Wellbeing Champion posters. OH briefings also continue to promote and raise awareness of health and we continue to target localised health inventions and topical messages to groups/teams. These continue to be popular talking points for team meetings.

29. An Employee Wellness Survey is currently underway which is aimed at targeting our wellness programme moving forward.
30. Our workforce strategy and workforce plans continue to be embedded through regular briefings and team meetings. Further improvements are currently being made to our recruitment and retention strategies.
31. The Ways we Work policy was introduced in April 2022. This has allowed some employees to return to the workplace fulltime while allowing us to build on the success of our approach throughout the pandemic and a 6 month pilot for blended working is currently underway. This provides flexibility for employees to work wherever is most appropriate for their day, to meet business needs and those who prefer to work from the office can do so by booking a desk in a designated space. Employees that need more regular support/contact may be required to access the office regularly. An Academy 10 online module for working in a blended way was published in February 2022 and outlines the expectations for both managers and employees. A managers guide for managing remote workers is currently being developed.
32. Two new modules have been added to our managers programme which cover equality and diversity and managing investigations. A number of modules have also been refreshed to ensure best practice is up to date.
33. Council policies are reviewed on an on-going basis and currently there are policy reviews taking place in relation to Special Severance Payments, Succession Planning and Recruitment.

Conclusion

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

Outcome of Consultation

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

COUNCIL PLAN OBJECTIVES

Council Plan Objective	Strategic Risk(s) relevant to delivery of Council Plan Objective
CP1 - Growing Darlington's economy	SR1, SR7, SR8, SR10, SR13, SR14, SR22, SR23, SR24, SR33, SR34, SR35, SR36, SR39, SR40
CP2 - Maximise the potential of our young people	SR17, SR19, SR21, SR23, SR28, SR31, SR35, SR36, SR38, SR42
CP3 - Supporting the most vulnerable in the borough	SR3, SR15, SR18, SR16, SR17, SR18, SR20, SR21, SR22, SR23, SR24, SR26, SR27, SR28, SR29, SR35, SR36, SR38, SR42, SR43, SR44
CP4 - Working with communities to maximise their potential	SR35, SR36, SR37
<i>CP5 - A dedicated workforce who are proud to serve the borough and an accessible, effective and engaged council*</i>	SR41

**While not a Council Plan objective the objectives are supported by...*

RISK MATRIX

STRATEGIC RISK REGISTER

LIKELIHOOD	A Very High				
	B High			SR18, SR21	
	C Significant		SR11, SR13, SR29, SR41	SR15, SR16, SR20, SR34, SR39, SR44	
	D Low		SR12, SR28	SR3, SR6, SR7, SR8, SR10, SR14, SR17, SR19, SR22, SR23, SR24, SR25, SR26, SR31, SR33, SR35, SR36, SR37, SR38, SR40, SR42, SR43	SR27
	E Very Low		SR1		
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

STRATEGIC RISK REGISTER

Risk No. & relevant Council Plan objective(s)	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
SR1 (CP1)	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	Ant Hewitt	None at E/III		
SR3 (CP3)	Business Continuity Plans not in place or tested for key critical services	Dave Winstanley	None at D/II		
SR6	Risk of regulatory action and increased costs resulting from PCI-DSS Non-Compliance	Elizabeth Davison	None at D/II		
SR7 (CP1)	Financial implications of maintaining and conserving key corporate assets within the borough	Dave Winstanley	None at D/II		
SR8 (CP1)	Investment in regeneration projects is not delivered	Ian Williams	None at D/II		

SR10 (CP1)	Planning Performance at risk of Standards Authority intervention	David Coates	None at D/II		
SR11	VAT partial exemption breach due to exempt VAT being close to the 5% limit	Brett Nielsen	None at C/III		
SR12	Fraud in General	Andrew Barber	None at D/III		
SR13 (CP1)	Instability within financial markets adversely impacts on finance costs and investments	Brett Nielsen	None at C/III		
SR14 (CP1)	Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims	Anthony Sandys	None at D/II		
SR15 (CP3)	Risk Reworded Inability to cope with significant increase in homelessness cases following the impact of COVID	Anthony Sandys	None at C/II		See main body of report at paragraph 9 (a) i
SR16 (CP3)	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	Chris Bell	None at C/II		See main body of report at paragraph 9 (a) ii

<p>SR17 (CP2, CP3)</p>	<p>Inability to recruit and retain sufficient qualified suitably experienced social workers in Children’s Services impacts on cost and quality of service</p>	<p>Chris Bell</p>	<p>None at D/II</p>		
<p>SR18 (CP3)</p>	<p>Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service</p>	<p>Joss Harbron</p>	<p>Increased to B/II</p>		<p>See main body of report at paragraph 9 (a) iii</p>
<p>SR19 (CP2)</p>	<p>Failure to identify vulnerable schools and broker appropriate support to address needs</p>	<p>Tony Murphy</p>	<p>None at D/II</p>		
<p>SR20 (CP3)</p>	<p>Increased demand for Adult Services impacts negatively on plans for budget efficiencies</p>	<p>Joss Harbron</p>	<p>None at C/II</p>		<p>See main body of report at paragraph 9 (a) iv</p>
<p>SR21 (CP2, CP3)</p>	<p>Increased demand for Children’s Services impacts negatively on budget</p>	<p>Chris Bell</p>	<p>None at B/II</p>		<p>See main body of report at paragraph 9 (a) v</p>
<p>SR22 (CP1, CP3)</p>	<p>Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage</p>	<p>Christine Shields</p>	<p>None at D/II</p>		

<p>SR23 (CP1, CP2, CP3)</p>	<p>Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure</p>	<p>Christine Shields</p>	<p>None at D/II</p>		
<p>SR24 (CP1, CP3)</p>	<p>Risk reworded Market (Domiciliary Care Residential Care providers) failure as a result of increased transmissibility of new variants</p>	<p>Christine Shields</p>	<p>None at D/II</p>		
<p>SR25</p>	<p>The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge</p>	<p>Joss Harbron</p>	<p>None at D/II</p>		
<p>SR26 (CP3)</p>	<p>Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures</p>	<p>Joss Harbron</p>	<p>None at D/II</p>		
<p>SR27 (CP3)</p>	<p>Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures</p>	<p>Chris Bell</p>	<p>None at D/I</p>		<p>See main body of report at paragraph 9 (a) vi</p>

<p>SR28 (CP2, CP3)</p>	<p>Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway</p>	<p>Penny Spring</p>	<p>None at D/III</p>		
<p>SR29 (CP3)</p>	<p>Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE)</p>	<p>Penny Spring</p>	<p>None at C/III</p>		
<p>SR31 (CP2)</p>	<p>Failure to maintain dedicated home to school transport services</p>	<p>Tony Murphy</p>	<p>None at D/II</p>		
<p>SR33 (CP1)</p>	<p>Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities</p>	<p>Ian Thompson</p>	<p>None at D/II</p>		
<p>SR34 (CP1)</p>	<p>Risk Reworded Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands</p>	<p>Ant Hewitt</p>	<p>None to C/II</p>		<p>See main body of report at paragraph 11 (a) vii</p>

SR35 (CP1, CP2, CP3, CP4)	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	Ant Hewitt	None at D/II		
SR36 (CP1, CP2, CP3, CP4)	Failure to meet the Council's commitment to becoming Carbon neutral by 2050	Mark Ladyman	None at D/II		
SR37 (CP4)	Failure to operate an effective Channel Panel	Ian Thompson	None at D/II		
SR38 (CP2, CP3)	Reputational and regulatory risk if reinspection not successful	Tony Murphy	None at D/II		
SR39 (CP1)	The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area	Mark Ladyman	None at C/II		See main body of report at paragraph 9 (a) viii

<p>SR40 (CP1)</p>	<p>New Risk Managing the impact of severe weather events</p>	<p>Mark Ladyman/Ian Thompson</p>	<p>New at D/II</p>	<p>Climate change will have a major impact on Darlington Borough Council and the communities it serves. A Climate Change Strategy and Action Plan have been agreed by Cabinet that cover every Council department and include actions that will ensure climate change is embedded into all Council projects/policies/strategies, etc. Work is ongoing across the organisation to influence partners and residents to make low carbon choices and improve their own climate resilience. The Council also has plans in place through Emergency Planning to manage the impacts of any incidents across the Borough. Plans are continually reviewed and updated as new risks emerge and from learning from dealing with incidents as they occur.</p>	
------------------------------	---	----------------------------------	--------------------	--	--

<p>SR41 (CP5)</p>	<p>New Risk Staffing risk – failure to recruit to vacant posts</p>	<p>Brett Nielsen</p>	<p>New at C/III</p>	<p>There are national shortages of staff across a number of service areas post-pandemic, coupled with an increase in local employment opportunities as a result of increased investment in the borough. The Council has undertaken a number of initiatives over the past year to increase the attractiveness of our offer for potential employees.</p>	
<p>SR42 (CP2, CP3)</p>	<p>New Risk Risk of enforcement action from the ICO</p>	<p>Luke Swinhoe</p>	<p>New at D/II</p>	<p>The sufficiency of resources to respond to all Subject Access Requests within the timescales set out in UK GDPR/The Data Protection Act 2018. The Council has recruited an agency worker to try and clear the backlog. It is envisaged that scanning the historic Adult and Children’s Social Care Records would significantly increase the likelihood of the Council being able to achieve statutory deadlines. This is being considered as part of the Council’s project to vacate Central House.</p>	

<p>SR43 (CP3)</p>	<p>New Risk Risk of new dangerous variant or a significant wave of COVID-19/the activation of UKHSA Contingency plan impacts on the Council's ability to provide services</p>	<p>Penny Spring</p>	<p>New at D/II</p>	<p>Included in response the UKHSA contingency plan</p>	
<p>SR44 (CP3)</p>	<p>New Risk April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a "requiring improvement" outcome.</p>	<p>Joss Harbron</p>	<p>New at C/II</p>		<p>See main body of report at paragraph 9 (a) ix</p>

AUDIT COMMITTEE

25 January 2023

AUDIT SERVICES – ACTIVITY REPORT

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	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.
Council Plan	Maintaining an appropriate oversight of risk & controls will help contribute to the delivery of the Council Plan Objectives
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

5. 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.
6. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of audit work.
7. The first section of the report is to provide members with feedback on the management of the risks on the corporate risk register. This has been updated to reflect changes to the corporate risk register. There are 3 risks where we feel current controls need to be improved, SR22, SR25 & SR42. By strengthening the controls in these areas the overall risk should reduce. There are controls showing as above the line on the risk register, audit testing provides assurance that these are being managed as well as possible and the issues are largely outside of the council's control.
8. 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.
9. The next section looks 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. Two controls have been marked as Red, they relate to a specific issue, completion of the mandatory information governance

training. There are still two areas that have not achieved their target, which is an improvement on the previously reported position.

10. 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, for the next quarter there is a small deficit on available resources, this is as a result of the service carrying a vacancy at present. Portfolio coverage identifies the number of controls that should be tested in the period, we were on target for the previous period.
11. The final section of the report is a full list of controls to be examined in the next period in priority order.
12. Staffing, we are currently carrying a vacancy. We will not be filling the post immediately and will be taking the opportunity to review how the section is structured before undertaking a recruitment exercise. We should have an update on this at the next meeting.
13. An external compliance review of the service has recently been conducted, we are still awaiting a copy of the draft report.

Outcome of Consultation

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

This page is intentionally left blank

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
SR1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	
SR10	Planning Performance at risk of Standards Authority intervention	100%
SR11	VAT partial exemption breach due to exempt VAT being close to the 5% limit	
SR12	Fraud in general	100%
SR13	Instability within financial markets adversely impacts on finance costs and investments	100%
SR14	Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims	
SR15	Inability to cope with significant increase in homelessness cases following the impact of COVID.	100%
SR16	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	100%
SR17	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	100%
SR18	Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service	100%
SR19	Failure to identify vulnerable schools and broker appropriate support to address needs	100%
SR20	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	100%
SR21	Increased demand for Children's Services impacts negatively on budget	100%
SR22	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	68%
SR23	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	100%
SR25	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	64%
SR26	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	100%
SR27	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.	100%
SR28	Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway.	100%
SR29	Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE).	100%
SR3	Business Continuity Plans not in place or tested for key critical services	93%
SR33	Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities	
SR34	Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands	100%
SR35	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	100%
SR36	Failure to meet the Council's commitment to becoming Carbon neutral by 2050	
SR37	Failure to operate an effective Channel Panel	
SR38	Reputational and regulatory risk if reinspection not successful	
SR39	The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area	
SR40	Managing the impact of severe weather events	
SR41	Staffing risk – failure to recruit to vacant posts	
SR42	Risk of enforcement action from the ICO	62%
SR43	Risk of new dangerous variant or a significant wave of COVID-19 impact on the Council's ability to provide services as a result of a new dangerous variant or a significant wave of COVID-19 or the activation of UKHSA Contingency plan	
SR44	April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. Due to the significant demands on adult social care, the pressures following covid, and the workforce recruitment and retention crisis will impact on the ratings- resulting in an "requiring improvement" outcome.	
SR7	Financial implications of Maintaining and conserving key capital assets within the borough	75%
SR8	Investment in regeneration projects is not delivered	100%

Theme Summary

Theme	Assurance	Audit Findings (By Impact)					
			VL	L	M	H	VH
1. Accuracy of Decision Making	78%	R	0	0	0	0	0
		A	0	2	1	0	1
		G	1	20	21	13	4
2. Monitoring of Decisions	89%	R	0	0	0	0	0
		A	0	2	2	1	0
		G	0	7	10	3	1
3. Information Governance	83%	R	0	0	1	0	0
		A	0	2	1	0	0
		G	1	20	19	5	2
4. Finance	96%	R	0	0	0	0	0
		A	0	1	1	0	0
		G	1	4	13	6	3
5. HR - Payments	100%	R	0	0	0	0	0
		A	0	0	1	0	0
		G	0	2	0	1	0
6. HR - Health & Safety	100%	R	0	0	0	0	0
		A	0	0	1	1	0
		G	0	1	3	0	0
7. HR - Management	93%	R	0	1	0	0	0
		A	0	0	0	0	1
		G	1	8	1	0	1
8. Recruitment	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	0	0
9. HR - Training/Qualifications/Clearances	85%	R	0	0	10	0	0
		A	0	1	3	0	0
		G	0	8	9	3	0
10. Accuracy of Payments	90%	R	0	1	0	0	0
		A	0	2	0	0	0
		G	3	10	3	1	1
11. Income - Charging	81%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	5	0	2	0
12. Income - Payments	94%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	1	6	2	1	0
13. Cash Handling	100%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	2	0	0	0
14. Procurement/Sourcing	100%	R	0	0	0	0	0
		A	0	0	3	0	0
		G	0	8	5	2	1
15. Physical Assets/Locations	89%	R	0	0	0	0	0
		A	0	2	2	1	0
		G	0	10	11	3	1
16. Fraud	100%	R	0	0	0	0	0
		A	0	4	0	0	0
		G	0	8	0	0	0
17. Business Continuity	93%	R	0	0	0	0	0
		A	0	2	1	0	0
		G	0	1	6	6	0
18. Procedures	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	6	5	3	1
19. Performance Management	91%	R	0	0	0	0	0
		A	0	2	0	1	0
		G	0	6	9	7	4
20. ICT Infrastructure	91%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	1	4	6	3	2
21. Handling of Requests/Incident Response	100%	R	0	0	0	0	0
		A	0	0	1	0	0
		G	3	4	3	2	0

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	0	0	0	0
	G	0	0	0	0	0
HR	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Health & Safety	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Strategy, Performance & Communications	R	0	0	0	0	0
	A	0	1	0	0	0
	G	3	5	2	0	1
Children's Services	R	0	0	1	0	0
	A	0	2	3	1	2
	G	0	7	17	16	6
Adults	R	0	0	1	0	1
	A	0	1	2	1	0
	G	0	4	9	10	6
Education	R	0	0	1	0	0
	A	0	2	0	0	0
	G	0	8	9	3	2
Public Health	R	0	0	0	1	0
	A	0	0	0	1	0
	G	0	0	1	3	0
Legal	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Democratic Services & Registrars	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Information Governance	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Xentrall	R	0	0	0	0	0
	A	0	0	1	1	0
	G	1	31	25	9	0
Housing & Building Services	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Community Services	R	0	1	1	0	0
	A	0	5	2	0	0
	G	3	28	16	0	0
Economic Growth	R	0	0	1	0	0
	A	0	2	2	0	0
	G	0	6	9	6	0
Transport & Capital Projects	R	0	0	1	0	0
	A	0	1	2	0	0
	G	0	2	8	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.

Page 42

	Results				Planned Work		
	October 2022	to	December 2022		January 2023	to	March 2023
	Number	R	A	G	No	Time	Monitoring
Finance	0	0	0	0	0	0	0
HR	0	0	0	0	0	0	0
Health & Safety	0	0	0	0	0	0	0
Strategy, Performance & Communications	1	0	0	1	1	0.5	0.3
Children's Services	16	0	4	12	13	13	1.7
Adults	7	0	1	6	9	9	0.7
Education	5	1	1	3	11	21	0.6
Public Health	2	0	1	1	3	5	0.1
Legal	0	0	0	0	0	0	0
Democratic Services & Registrars	0	0	0	0	0	0	0
Information Governance	0	0	0	0	0	0	0
Xentrall	19	0	0	19	12	18	3.9
Housing & Building Services	0	0	0	0	0	0	0
Community Services	11	0	1	9	29	20	1.7
Economic Growth	3	0	0	3	8	4.75	1.7
Transport & Capital Projects	6	1	0	4	7	4.75	1
Totals	70	2	8	58	93	96	11.7

Quality, Assurance & Improvement Process

Period	October 2022	to	December 2022
--------	--------------	----	---------------

Stewardship (Coverage)			Stakeholders		
Measure	Target	Performance	Measure	Target	Performance
Adequate Resources	15	-14.3	Reports Issued	Qtrly	*
Portfolio Coverage	82	84	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%	69.2%
External Assessment (Every 5 Years)	31/03/2023	*	Training (Per Financial Year)	20	0.8
Staff Meetings Held	7	12	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
105	Update and report the strategic corporate risk register.	3
380	The Supporting Families programme is managed effectively.	3
661	Youth Employment Initiative financial claims are submitted in an accurate and timely manner.	3
33	Education, Health & Care Plans are completed appropriately and in a timely fashion	6
35	Section 17 payments made in respect of children are appropriately managed.	6
36	Children's cases are reviewed to ensure the type of placement remains suitable with family reunification considered.	6
42	Sufficient school places are available to meet demand.	6
44	Children's Assessment procedures are comprehensive and up to date	6
49	Children's cases are appropriately supervised with regular discussion and appropriate recording.	6
54	Systems are updated with the relevant referral information.	6
55	Accurate and timely assessment of children's referrals is undertaken.	6
78	Focussed financial support to commercial ventures	6
88	An approved Council Plan is in place which sets out the priorities of the council.	6
112	Process council tax support claims.	6
113	Process housing benefit claims	6
119	Client risk assessments are undertaken and appropriate arrangements in place for the provision of Community (SBC) and Passenger (DBC) Transport (social care and education) service usage.	6
120	Costs and demand for Community (SBC) and Passenger Transport (DBC) services are monitored to ensure the best use of resources is applied.	6
165	Adult Services have a service strategy in place and delivery is being monitored.	6
172	An up to date strategic plan is in place for the Safeguarding Adults Board.	6
174	Adult Social Care cases are allocated appropriately considering caseloads and qualification requirements.	6
176	An appropriate ICT system(s) is in place to manage and safeguard adult social care information held.	6
179	Appropriate service provision has been sourced to meet an Adult Social Care users individual needs, in accordance with Contract Procedure Rules.	6
182	Where the Authority has Deputyship/Appointeeship, appropriate authorisation/legal documentation is in place	6
250	There is a system of performance management in place for adult social care.	6
283	Disposals of ICT equipment are undertaken in an appropriate manner in line with an adequate and appropriate official disposal policy.	6
465	Public health research and local needs assessment.	6
476	Accurate and up to date MTFP projections for future years	6
478	An appropriate ICT system(s) is in place to manage and safeguard children's social care/education information held.	6
535	Children have been matched with appropriate adopters	6
573	Where there is a shortfall in specialist housing facilities managed by the authority to meet demand, external provision is effectively sourced.	6
577	The correct charges are raised for Housing Rents.	6
716	Bridges quality and compliance systems are operating effectively	6
740	Staff within Transport and Capital projects have completed mandatory information governance training.	6
744	Staff within Education services have completed mandatory information governance training.	6
745	Staff within Economic Growth have completed mandatory information governance training.	6
749	Staff within Law & Governance have completed mandatory information governance training.	6
795	Staff within Community Services have completed mandatory information governance training.	6
820	There is a system of performance management in place for children's social care.	6

22	Adequate and effective after school, day care and residential short breaks provision is available for children with a care plan.	12
23	Assessment and appointment of suitable in-house foster carers.	12
24	Appropriate arrangements are in place to assess the suitability of adopters.	12
26	Attainment in schools is appropriately monitored.	12
28	In-House carers receive appropriate training.	12
32	Education, Health & Care Plans are appropriately monitored	12
45	Staff assessing children's cases have the relevant qualifications and clearances.	12
46	Business continuity arrangements are in place to continue to deal with children's referrals.	12
48	Hard-copy Children's case files are appropriately managed and safeguarded.	12
64	Clear acquisition, disposal and revaluation process for land and buildings.	12
68	Clear budget process and timetable is in place which could be followed by team members as and when required.	12
72	Treasury Management Strategy and its implementation in relation to investments meets the Prudential Code and Treasury Management Code of Practice.	12
76	Ensure accurate monitoring of capital programme and schemes	12
79	Maintain formula and support for funding schools and high needs.	12
81	Operate clear arrangements for billing and collection of council tax and business rates	12
86	Undertake forward planning and projections of external factors in respect of income and expenditure and feed into MTFP.	12
96	Prepare annual governance statement	12
97	Prepare statement of accounts	12
104	Update and report RAG tools to assist in risk management in all adults, public health and children's contracts.	12
114	Vehicles used in the provision of Community (SBC) and Passenger (DBC) Transport services are suitable and meet requirements for servicing and road worthiness.	12
132	Free school meals are provided to eligible pupils.	12
146	Bridge Inspections are undertaken in accordance with an appropriate specified programme.	12
158	Disabled Facilities Grants/Helping Hands recipients meet grant eligibility criteria, payments and contributions are correct.	12
163	Business continuity arrangements are in place in order to continue to receive adult referrals and undertake assessments.	12
168	Referral and Assessment Procedures (Adults) are comprehensive and up to date.	12
169	Appropriate financial monitoring is in place in respect of the Better Care Fund.	12
171	Non-financial targets as set out in the Better Care Fund plan are being met.	12
173	Monitoring of care provider service delivery supports safeguarding activities and outcomes.	12
175	Adult Social Care referrals and assessments are processed in an accurate and timely manner, with decision making and actions fully documented.	12
178	Staff working in settings for adults are suitably qualified and receive appropriate training.	12
181	Appropriate monitoring of residential placements is in place to ensure it continues to meet the needs of the individual.	12
184	Accurate charges for contributions to care costs are made to service users.	12
214	Procurement by Legal Services is in line with contract procedure rules and value for money principles.	12
218	Posts requiring a DBS check are identified and requirements are in line with legislation.	12
228	Venues for events are appropriate.	12
249	Timely and accurate financial assessments are undertaken for service users wishing to take up a service.	12
251	Sufficient health & safety measures/risk assessments are in place/undertaken at individual adults establishments.	12
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.	12
255	Care packages are receiving appropriate approval, and include all relevant information.	12
256	Formal signed agreements in place between LA/CCG in accordance with relevant guidance	12
257	Appropriate arrangements are in place to continue managing clients finances in the event of disruption.	12

260	Food & Hygiene premises rating system is updated regularly and published.	12
272	Breaches of planning control are investigated and enforcement action initiated as necessary.	12
285	Progress towards the ICT strategy goals is monitored and reported on.	12
289	Appropriate disaster recovery plans and procedures are in place to support recovery from a partial or total loss of significant ICT systems/servers.	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
295	Appropriate formal documented ICT project management standards/policies have been established.	12
299	Adequate controls are in place to ensure data in the cloud is adequately protected.	12
302	Anti-virus controls are in place for relevant elements of the ICT infrastructure including servers and individual machines.	12
303	An appropriate infrastructure is in place to facilitate the organisation's firewalls.	12
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.	12
309	Adequate and appropriate change controls are in place.	12
313	The Resourcelink payroll system calculates all payments correctly.	12
348	DBS check renewals are undertaken for Adults and Health staff	12
355	Up to date and accessible procedures available to support the management of children's case files.	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
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.	12
365	Management and oversight of youth offending cases improve outcomes for young people involved in criminal justice system or at risk of becoming involved.	12
367	The Council has a strategy in place to deliver public health services to the community.	12
371	Information held about children, young people and their families is appropriate/up to date and sharing is in line with GDPR and IARs.	12
378	Pupil premium funding is used effectively.	12
392	Compliance with Department for Transport (DfT) funding terms and conditions for grant payments received.	12
396	Accurate and timely returns are provided to support New Homes Bonus.	12
397	Economic Growth Strategy and Economic Growth Plan is monitored and milestones achieved.	12
399	Support is provided to new and existing businesses.	12
405	Effective management of grants received to support jobs and growth.	12
408	Monitor re-offending rates and target resources towards young people at risk of re-offending.	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
464	Effective commissioning and procurement of public health services and programmes.	12
466	Delivery of the Health and Wellbeing Strategy.	12
471	Achievement of completion rate targets for mandatory on-line information governance training.	12
479	Up to date and accessible procedures available to support the management of Adult Social Care users files.	12
484	Suitability of approved in-house foster carers is monitored.	12
499	Continued eligibility for a free school meal is monitored and appeals are handled appropriately.	12
523	Where financial assistance has been provided to businesses these are being monitored for compliance.	12
536	Breakdowns in placements are handled effectively.	12
539	Monitoring is undertaken of care packages for continued suitability.	12
662	Sufficient performance monitoring is in place to ensure the aims and objectives of the Youth Employment Initiative programme are being successfully achieved.	12
741	Staff within Public Health have completed mandatory information governance training.	12
742	Staff within Children's Services have completed mandatory information governance training.	12

743	Staff within Adults Service have completed mandatory information governance training.	12
747	Staff within Strategy, performance and communications have completed mandatory information governance training.	12
794	Food & Hygiene premises rating system programme of inspections is effectively managed.	12
812	Staff within Commissioning, performance and transformation have completed mandatory information governance training.	12
819	Compliance with Department for Transport (DfT) incentive funding terms and conditions for grant payments received.	12
20	A child in care's story is documented.	18
21	A robust training and support regime is in place for new teachers.	18
25	Arrangements are in place to manage the breakdown of a placement	18
29	Hard copy information held in Children's Residential Homes is appropriately safeguarded.	18
34	Health & safety of children's placements is monitored	18
38	Plans are in place to manage the loss of a school and provide continuity of education.	18
39	School governors receive an appropriate level of support and training	18
40	School places have been allocated in accordance with admissions policies.	18
53	Procedures for managing referrals (Children's) and undertaking initial assessments are comprehensive and up to date.	18
56	Agreements for early years provision are in place and being complied with and monitoring visits are being undertaken.	18
59	Allocation of school budgets in line with funding formula.	18
67	School investment plan in place to ensure appropriate number and quality of places available.	18
69	Clear contract procedure rules.	18
74	Delivery of tender management plan	18
75	Ensure accurate in-year financial monitoring	18
77	Financial appraisal completed as part of business case/options appraisal	18
89	Development of an appropriate risk assessed H&S audit programme.	18
91	Delivery of an effective Internal Audit Service in compliance with Accounts & Audit Regulations.	18
93	Requests for information are handled in line with requirements of the Freedom of Information Act.	18
107	Ensure specifications are clear and include all requirements for safe care	18
109	Crisis and emergency/settlement support.	18
115	Appropriate risk assessments are undertaken within the Passenger Transport service, and measures are in place to ensure the health and safety of Council employees.	18
116	Council employed drivers and passenger assistants hold the necessary clearances, licences, qualifications and training.	18
117	Contractors & sub-contractors involved in the provision of passenger transport hold the necessary clearances, licences, qualifications and insurance.	18
130	Catering and cleaning staff have been subject to appropriate disclosure checks.	18
134	Arrangements are in place for inspection and maintenance of security and surveillance equipment.	18
135	Civic enforcement decisions are consistent, fair, proportionate and necessary; in line with legislation.	18
138	Community engagement and communication to highlight and reduce environmental crime.	18
139	Ensure the health and safety of enforcement officers.	18
141	Sensitive personal information in relation to Telecare (SBC) and Lifeline (DBC) clients is managed in line with GDPR requirements.	18
142	Lifeline (DBC) and OneCall (SBC) staff hold appropriate qualifications and DBS clearances, and receive regular training.	18
147	Highway inspections are undertaken in accordance with an appropriate specified programme.	18
148	Street Lighting inspections and associated electrical testing are undertaken in accordance with an appropriate specified programme and relevant legislation/guidance.	18
150	Car Parking Strategy in place which is up to date and considers resident, disabled and general parking requirements.	18

151	Road closures are undertaken following appropriate consultation and required notifications are completed within relevant timescales.	18
152	The authority is committed to reducing it's carbon footprint and supporting residents and businesses to reduce theirs.	18
153	The highways network resilience to extreme events such as weather has been fully established and plans are in place to manage this.	18
157	The authority has an adequate, appropriate and up to date Homeless Reduction and Prevention Strategy in place.	18
159	HMO properties are licensed.	18
162	The authority has an adequate, appropriate and up-to-date Local Plan in place.	18
177	Adult Social Care staff are aware of Health & Safety requirements and have received appropriate H & S training.	18
183	Where legal charges have been placed on a service user's property, appropriate deferred payment/legal documentation is in place	18
188	A current Carers Strategy is in place.	18
189	Professionals are appropriately trained and qualified to undertake BIA/DoLS assessments.	18
190	Professionals employed to undertake DOLS assessments are procured and employed via correct processes.	18
193	Payments made to providers of employee benefit schemes are accurate.	18
194	Corporate initiatives are in place to help prevent sickness absence.	18
195	Procurement of contracts in place for provision of employee therapy is undertaken in line with contract procedure rules and appropriate monitoring undertaken.	18
200	The Council maintains an accurate and up to date land charges register.	18
206	Communication activities are aligned with corporate priorities and are delivered consistently and effectively.	18
216	Land charge related searches are completed effectively and within a reasonable timescale.	18
220	Appropriate checks have been undertaken prior to placing someone on the Employee Protection Register.	18
221	Information security and sharing protocols in relation to occupational health and employee therapy provision is in line with data protection legislation.	18
223	Effective procurement/commissioning of training and development providers ensures value for money and compliance with contract procedure rules.	18
227	Arts Council funding is used appropriately and conditions complied with.	18
232	Learning and Skills Tutors are suitably qualified, trained and have necessary clearances.	18
234	Library stock is adequately recorded, managed and its condition is 'fit for purpose'.	18
235	Adequate emergency response plans are in place for events and venues.	18
236	Arts and museum assets are adequately safeguarded and insured.	18
245	Maintain an accurate and up to date electoral register, which conforms to Electoral Commission requirements.	18
261	Adequate performance information is maintained and is appropriately utilised within the Highways Department.	18
263	Appropriate measures are in place to identify, record and investigate significant flooding incidents.	18
264	The authority has an adequate, appropriate and up to date Highway Infrastructure Asset Management Strategy (HIAMS) in place.	18
265	Street works are licensed, inspected and where applicable, appropriate charges are issued and collected for overruns/fines.	18
270	Building control decisions are appropriately authorised and made in line with Building Regulations.	18
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.	18
274	Section 106 agreements utilised effectively and obligations are complied with.	18
279	High level Active Directory administration privileges/credentials are only assigned to appropriate individuals.	18
284	An appropriate current documented and approved ICT strategy is in place.	18
286	ICT equipment located in computer facilities is adequately and appropriately protected from significant environmental threats.	18
292	Use of email facilities by users is adequately controlled.	18
296	Appropriate formal agreements are in place with any external parties involved in the management and operation of the networks.	18

297	Network infrastructure/equipment is appropriately managed and protected.	18
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).	18
300	Appropriate security/usage policies for users are in place to provide important guidance to users of the ICT facilities.	18
301	Users of ICT facilities are appropriately controlled.	18
306	Adequate and appropriate patching of host and guest operating systems is undertaken.	18
307	Appropriate access controls are in place to secure the virtualised environment.	18
308	An appropriate inventory of all significant ICT equipment is maintained. Including servers, PCs, laptops, tablets, etc.	18
310	HMRC reporting requirements are being complied with.	18
311	Information on payslips meets statutory requirements and is correct.	18
318	Standing data and payroll related financial information is updated in a timely manner and recorded accurately within Business World On!	18
320	Information held in systems relating to HR are accurate and up to date.	18
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.	18
326	All invoices/requisitions are expenditure coded.	18
329	The authority complies with HMRC CIS scheme.	18
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.	18
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.	18
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.	18
338	Pension deductions are taken each month from employee's pay at the appropriate rate.	18
341	The total contributions collected from both the employee and the employer are paid to the relevant pension fund in full.	18
346	The authority exercises powers to ensure safe, high quality standards in the private housing sector.	18
349	Safeguarding and child protection policies are in place, schools have an appointed designated safeguarding lead and arrangements are in place for appropriate training of staff.	18
351	Monitoring of Children's safeguarding partnership arrangements ensure effective multi agency working.	18
353	Suitability of emergency unregulated/unregistered placements.	18
356	Address patterns of absence and promote regular attendance at school.	18
358	Pathway plans support care leavers in managing the transition from school to higher education, training or employment.	18
364	Effective recruitment and retention of foster carers meets demand for places, including ongoing campaigns promoting the role.	18
368	Ensure the delivery of advice, support and refuge accommodation for victims of domestic abuse.	18
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.	18
381	Prioritised support and provision to tackle fuel poverty and deliver the Affordable Warmth Strategy.	18
382	Monitor delivery of community partnership objectives and key priorities.	18
383	Strategic plans and framework are in place to tackle poverty.	18
390	Commitment to road safety and reducing road casualties.	18
393	Appropriate and timely response to a homelessness Duty to Refer request.	18
402	Tackling town centre property vacancies.	18
403	Promotion of the borough and town centres as a great place to invest, trade and visit.	18
412	An accurate and complete register of licences issued is maintained.	18
413	Licence applications are subject to appropriate review and approval, evidence of background and eligibility.	18
415	A programme of trading standards inspections and sample tests has been identified using a risk assessment process.	18

423	Appropriate and up to date emergency plans are in place to guide a coordinated response to a major incident.	18
428	Provide effective short-term support to individuals following a discharge from hospital or to prevent hospital admission.	18
449	Cemeteries and memorials are well maintained and health and safety risks managed.	18
450	Crematorium inspection and monitoring to reduce the impact of emissions.	18
455	Inspection and maintenance of Council owned play facilities and skate parks.	18
457	There is a register of land owned and a sustainable grounds maintenance/landscaping programme in place.	18
467	A Gypsy Traveller Accommodation Assessment (GTAA) is undertaken to identify pitch requirements.	18
470	Compliance with the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (now called NHS data security and protection toolkit)	18
472	A central record of Information Asset Registers is maintained and checked for completeness.	18
473	There is a corporate arrangement in place for the secure destruction of paper records.	18
474	Appropriate email encryption is in place for sharing sensitive information.	18
477	Information asset registers are in place for each service and are being complied with.	18
485	In-house foster carer details are accurately recorded and updated.	18
486	Information relating to adopters is accurately recorded and up to date.	18
487	Adopter suitability appeals are appropriately managed.	18
488	School admissions appeals are appropriately managed.	18
491	There is a system of performance management in place to establish the effectiveness of HR policies, procedures and initiatives.	18
494	Leisure provision requirements are understood and effectively sourced.	18
503	The programme of trading standards inspections and sample testing is being monitored for completion.	18
510	Monitoring is undertaken to ensure compliance with planning decisions and appeals are handled appropriately.	18
511	Inspections of building work are undertaken to ensure compliance.	18
513	Building control decisions are accurately recorded.	18
526	Changes in circumstances for council tax support and housing benefit claimants are processed appropriately.	18
527	Records relating to Council Tax Support and Housing Benefits are accurate and up to date.	18
531	Exclusions/Pupils at risk of exclusion are reviewed and action taken to address issues.	18
532	Pathway plans are reviewed.	18
533	Pathway plans are accurate and up to date on the system.	18
534	Any payments agreed as part of the Pathway Plan have been paid correctly.	18
537	Accurate and up to date information is recorded for adoption cases.	18
538	Monitoring of Adult's safeguarding partnership arrangements ensure effective multi agency working.	18
548	Payments made for discretionary housing payments are accurate.	18
552	Plans are in place to continue to deliver housing/council tax support during an emergency.	18
557	The community engagement and heritage crime grant funding received is appropriately dealt with.	18
559	COVID related business grants have been appropriately managed with eligibility confirmed.	18
663	Effective sourcing of child placements.	18
676	COVID Testing in Schools & Colleges	18
746	Staff within Resources have completed mandatory information governance training.	18
748	Staff within Housing and Revenue services have completed mandatory information governance training.	18
751	Robust authorisation processes are in place for the payment of creditors.	18
796	Staff are aware of the confidential reporting/whistleblowing policy and nominated officers have received appropriate training.	18
797	Records and confidentiality in relation to confidential/whistleblowing reports are maintained.	18
798	Investigations into confidential/whistleblowing reports are appropriate, acknowledged within timescales, and in line with Public Interest Disclosure Act.	18
811	Staff within Darlington Partnership have completed mandatory information governance training.	18

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 Council owned operating premises.	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
94	Prepare and submit accurate financial returns by deadlines - RA/RO/Capital	24
103	Undertake health & safety investigations.	24
118	Transport provision is in line with client eligibility criteria.	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 (SBC) and Passenger Transport (DBC).	24
123	Payments made to Community (SBC) and Passenger (DBC) 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 Lifeline (DBC) and OneCall (SBC) 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
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
197	External communication and engagement contracts are procured in line with contract procedure rules, accounting instructions and value for money principles.	24
203	Website and Intranet content is relevant and up to date.	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
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 for events 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
233	Library income is securely held and 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
241	Adult Learners and Apprentices details are accurate, up to date and safeguarded.	24
242	Members induction and training sufficiently meets requirements.	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 an 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 officers have the appropriate qualifications and undertake the required training.	24
259	Records relating to Environmental Health cases are appropriately recorded and managed.	24
266	Appropriate controls and systems 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
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
319	Standard payroll 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 reconciliation exercises are performed between the debtors (accounts receivable) balances and the main accounting (general ledger) system records.	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
342	There are clearly defined guidelines and procedures for the recruitment process.	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
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 start up business space.	24
404	Promotion of apprenticeship opportunities.	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 removal of needles and syringes within set timescales	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 (GRO) 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
463	National Fraud Initiative (NFI) matches in relation to COVID related business grants are promptly reviewed and investigations undertaken as necessary.	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 made to external providers of day care, after school and residential short breaks for young people with complex and additional needs are accurate and timely.	24
489	School admissions 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 Community (SBC) and Passenger (DBC) transport providers are accurate.	24
504	Payments are made to waste contractors accurately.	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 are 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 (SBC) & Passenger (DBC) 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
551	Discretionary housing payments are made in accordance with the scheme.	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
571	An economic growth strategy has been prepared and approved and includes a plan for achievement of its objectives.	24
572	The decision to provide additional support to adoptive families is appropriate.	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
576	Regular bank reconciliations are undertaken and are up to date with minimal amounts in suspense.	24
578	Results of the National Fraud (NFI) Exercise, identifying instances where VAT may have been overpaid, are reviewed and outcomes recorded.	24
580	The emergency active travel grant funding received is appropriately dealt with.	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
680	National Fraud Initiative (NFI) matches in relation to Blue Badge permits are promptly reviewed and investigations undertaken as necessary.	24
681	National Fraud Initiative (NFI) matches in relation to Concessionary Travel passes are promptly reviewed and investigations undertaken as necessary.	24
682	National Fraud Initiative (NFI) matches in relation to resident parking permits are promptly reviewed and investigations undertaken as necessary.	24
683	National Fraud Initiative (NFI) matches in relation to trade creditors are promptly reviewed and investigations undertaken as necessary.	24
684	National Fraud Initiative (NFI) matches in relation to Council Tax Reduction Scheme are promptly reviewed and investigations undertaken as necessary.	24
685	National Fraud Initiative (NFI) matches in relation to Housing Benefits Claimants are promptly reviewed and investigations undertaken as necessary.	24
686	National Fraud Initiative (NFI) matches in relation to Housing tenants, waiting lists and RTB are promptly reviewed and investigations undertaken as necessary.	24

687	National Fraud Initiative (NFI) matches in relation to Council Tax Single Person Discount are promptly reviewed and investigations undertaken as necessary.	24
688	National Fraud Initiative (NFI) matches in relation to procurement are promptly reviewed and investigations undertaken as necessary.	24
689	National Fraud Initiative (NFI) matches in relation to payroll are promptly reviewed and investigations undertaken as necessary.	24
738	Ticket sales and admission charges for museums are recorded and income received in full.	24
750	Regular reconciliation exercises are performed between the creditors (accounts payable) balances and the main accounting (general ledger) system records.	24
752	The purpose and scope of CCTV coverage in the admin buildings has been appropriately documented and a Privacy Impact Assessment undertaken.	24
753	The purpose and scope of CCTV coverage at the depot has been appropriately documented and a Privacy Impact Assessment undertaken.	24
754	The purpose and scope of CCTV coverage of playgrounds has been appropriately documented and a Privacy Impact Assessment undertaken.	24
755	The purpose and scope of CCTV coverage used by street scene/refuse has been appropriately documented and a Privacy Impact Assessment undertaken.	24
756	The purpose and scope of body worn CCTV has been appropriately documented and a Privacy Impact Assessment undertaken.	24
757	The purpose and scope of CCTV coverage in the town centres has been appropriately documented and a Privacy Impact Assessment undertaken.	24
758	The purpose and scope of CCTV coverage in the hippodrome has been appropriately documented and a Privacy Impact Assessment undertaken.	24
759	The purpose and scope of CCTV coverage in the Dolphin Centre has been appropriately documented and a Privacy Impact Assessment undertaken.	24
760	The purpose and scope of CCTV coverage at the museum has been appropriately documented and a Privacy Impact Assessment undertaken.	24
799	Confidential reporting/whistleblowing Policy is regularly reviewed and up to date.	24
80	Operate clear and robust insurance claim management and processing uninsured loss recovery.	48
100	Six monthly performance report to CMT	48
110	Early help and support provided by welfare support service	48
131	Planning and provision of school meals promotes healthy, nutritious eating in compliance with the School Food Standards.	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
237	Payments to external leisure providers are effectively managed.	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
277	The Travellers Site is secure and maintained effectively.	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
406	Appropriate allocation of town centre market pitches.	48
410	Delivery of Safer Stockton Partnership objectives and key priorities.	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
505	Allocation of Market pitches is monitored and feedback sought.	48
506	Details about market traders are accurate and up to date.	48
507	Permits/Waivers and Blue Badges are monitored for continued eligibility and an appeal process is in place.	48
508	Information relating to 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
565	Staff within Finance, Development & Regeneration have completed mandatory information governance training.	48
690	Children's services effectively engage with the tender management delivery plan.	48
692	Adults and Health effectively engage with the tender management delivery plan.	48
704	Adults and Health effectively engage with the contract management delivery plan.	48
739	Treasury Management Strategy and its implementation in relation to borrowing meets the Prudential Code and Treasury Management Code of Practice.	48
800	The Local Transport Funding received is appropriately dealt with.	48

This page is intentionally left blank

**AUDIT COMMITTEE
25 JANUARY 2023**

PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2023/24

SUMMARY REPORT

Purpose of the Report

1. This report requests Audit Committee to review and scrutinise the following prior to forwarding to Cabinet and Council for their approval and adoption:
 - (a) The Prudential Indicators and Limits for 2023/24 to 2025/26 relating to capital expenditure and Treasury Management activity.
 - (b) A policy statement relating to the Minimum Revenue Provision.
 - (c) The Treasury Management Strategy 2023/24, which includes the Annual Investment Strategy for 2023/24
2. The report outlines the Council's prudential indicators for 2023/24 – 2025/26 and sets out the expected treasury operations for this period. It fulfils key legislative and guidance requirements:
 - (a) The reporting of the **prudential indicators** setting out the expected capital activities and treasury management prudential indicators included as treasury indicators in the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice
 - (b) The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year.
 - (c) The **treasury management strategy** statement which sets out how the Council's treasury service will support capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators.
 - (d) The key indicator is the **authorised limit**, the maximum amount of debt the Council could afford in the short term, but which is not sustainable in the longer term.
 - (e) The **investment strategy** which sets out the Council's criteria for choosing the investment counterparties and limiting exposures to the risk of loss.
3. The information contained in the report regarding the Councils expenditure plans, Treasury Management and Prudential Borrowing activities indicate that they are:
 - (a) Within the statutory framework and consistent with the relevant codes of practice.

- (b) Prudent, affordable and sustainable.
- (c) An integral part of the Council's Revenue and Capital Medium Term Financial Plans.

Recommendation

- 4. It is recommended that the Audit Committee examine the following and pass on any comments to Council via Cabinet in order that they approve them:
 - (a) The Prudential Indicators and limits for 2023/24 to 2025/26 summarised in Tables 1 and 2.
 - (b) The Minimum Revenue Provision (MRP) statement (paragraphs 34 – 41).
 - (c) The Treasury Management Strategy 2023/24 to 2025/26 as summarised in paragraphs 45 to 71.
 - (d) The Annual Investment Strategy 2023/24 contained in paragraphs 72 to 104.

Reasons

- 5. The recommendations are supported by the following reasons:
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing & Communities (DLUHC) guidance on investments.
 - (b) To comply with the requirements of the Local Government Act 2003.
 - (c) To approve a framework for officers to work within when making investment decisions.

Elizabeth Davison
Group Director of Operations

Background Papers

- (i) Annual Draft Statement of Account 2021/22
- (ii) Draft MTFP (incl Capital MTFP 2023/24 to 2026/27)
- (iii) Draft Capital Strategy
- (iv) Link Asset Services Economic Report Dec 2022

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for S 17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council’s Health and Well being agenda.
Carbon Impact and Climate Change	This report has no implications for the Council’s Carbon Emissions.
Diversity	This report has no implications for the Council’s Diversity agenda.
Wards Affected	All Wards
Groups Affected	All Groups
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This is not an executive decision
Urgent Decision	For the purposes of call in this report is not an urgent decision.
Council Plan	This report has no particular implications for the Council Plan.
Efficiency	The report refers to actions taken to reduce costs and manage risks.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers.

MAIN REPORT

Information and Analysis

Background

6. CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

7. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s risk appetite, providing adequate liquidity initially before considering investment return
8. The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

9. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
10. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

Reporting requirements

Capital Strategy

11. The 2017 CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:
 - (a) A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - (b) An overview of how the associated risk is managed
 - (c) The implications for future financial sustainability.
12. The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy is reported separately to Council on an annual basis.

Treasury Management Reporting

13. The Council is required by legislation to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and Treasury Indicators and Treasury Strategy (this report)

14. The first, and most important report is forward looking and covers:
 - (a) The capital plans (including prudential indicators);
 - (b) A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - (c) The treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and

- (d) An investment strategy, (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report

- 15. This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether the treasury function is meeting the strategy or whether any policies require revision.

An Annual Treasury Report

- 16. This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 17. These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

Treasury Management Strategy for 2023/24

- 18. The strategy for 2023/24 covers two main areas:
 - (a) Capital Issues:
 - (i) The capital expenditure plans and the prudential indicators;
 - (ii) The minimum revenue provision (MRP) policy.
 - (b) Treasury Management Issues:
 - (i) The current treasury position;
 - (ii) Treasury indicators which will limit the treasury risk and activities of the Council;
 - (iii) Prospects for interest rates;
 - (iv) The borrowing strategy;
 - (v) Policy on borrowing in advance of need;
 - (vi) Debt rescheduling;
 - (vii) The investment strategy;
 - (viii) Creditworthiness policy; and
 - (ix) Policy on use of external service providers.
- 19. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

20. A summary of the key prudential indicators and limits are contained in Tables 1 and 2 and further details are contained further on in this report.

Table 1 – Capital Expenditure and Borrowing

	2022/23 Revised	2023/24 Estimated	2024/25 Estimated	2025/26 Estimated
Capital Expenditure Tables 3 and 4	67.609	45.493	32.499	32.868
Capital financing requirement - Table 5	230.542	235.933	241.167	241.643
Ratio of financing costs to net revenue stream – General Fund See paragraph 39 - Table 6	2.14%	3.82%	3.85%	3.76%
Ratio of financing costs to net revenue stream –HRA See paragraph 39 - Table 6	14.79%	12.78%	13.59%	14.51%
Operational boundary for external debt - Table 9	171.424	183.077	193.722	204.361
Authorised limit for external debt - Table 10	242.069	247.730	253.225	253.725

Table 2 – Treasury Management

	2023/24 Upper Limit	2024/25 Upper Limit	2025/26 Upper Limit
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	40%	40%	40%
Maximum principal sums invested > 364 days	£50m	£50m	£50m
Maturity Structure of fixed interest rate borrowing 2023/24			
	Lower Limit	Upper Limit	
Under 12 months	0%	40%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years and above	0%	100%	

Training

21. The CIPFA code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training was undertaken by a number of Members during 2 sessions held in September 2021 and

further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

22. The Council uses Link Group, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service provider. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.
23. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The officers of the Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subject to regular review.

The Capital Prudential Indicators 2023/24– 2025/26

24. The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.

Capital Expenditure

25. This Prudential Indicator is a summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 3 Capital Expenditure

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	47.230	20.874	11.50	12.330
HRA	14.266	24.585	20.999	20.538
Estimated Capital Expenditure	61.496	45.459	32.499	32.868
Loans to Joint Ventures	6.113	0.034	0.000	0.000
Total	67.609	45.493	32.499	32.868

26. The financing need above excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.
27. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 4 Financing of the Capital Programme

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	47.230	20.874	11.50	12.330
HRA	14.266	24.585	20.999	20.538
Loans to Joint Ventures	6.113	0.034	0.000	0.000
Total Capital	67.609	45.493	32.499	32.868
Financed by:				
Capital receipts -General Fund	1.295	2.950	2.060	0.000
Capital receipts - Housing	0.000	0.303	0.303	0.303
Capital grants	40.819	7.890	7.290	6.290
JV Repayments	4.573	2.260	1.300	5.950
Self-financing - GF	0.000	6.400	2.100	6.000
Revenue Contributions (Housing)	14.266	12.609	12.150	12.097
Total excluding borrowing	60.953	32.412	25.203	30.640
Net financing need for the year	6.656	13.081	7.296	2.228

The Council's Borrowing Need (the Capital Financing Requirement)

28. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
29. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets' life, and so charges the economic consumption of capital assets as they are used.
30. The CFR includes any other long-term liabilities (e.g. PFI schemes & finance leases) brought onto the balance sheet. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £21.398m of such schemes within the CFR.
31. The Committee is asked to approve the CFR projections below:

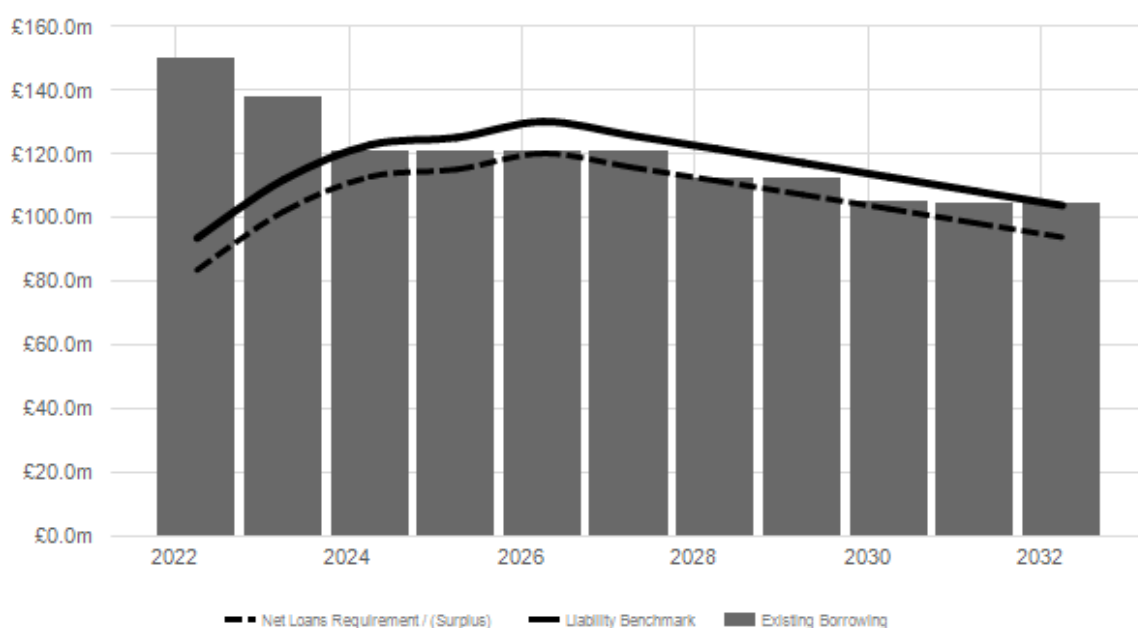
Table 5 – CFR Projections

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
CFR – General Fund	130.331	128.723	126.205	123.752
CFR – PFI and Finance leases	21.398	21.051	20.696	20.335
CFR - housing	67.225	76.798	86.205	95.445
CFR - Loans to JV's	11.588	9.361	8.061	2.111
Total CFR	230.542	235.933	241.167	241.643
Movement in CFR		5.391	5.234	0.476

Liability Benchmark

32. A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

Consolidated Liability Benchmark



33. There are three main components to the Liability Benchmark:-

- (a) **Existing borrowing (loan debt outstanding):** the Council’s existing loans that are still outstanding in future years.
- (b) **Net loans requirement (Forecast Net Loans Debt):** this will show the Council’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- (c) **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short -term liquidity allowance.

The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity and refinancing risks. Conversely where external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the organisation requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry.

MRP Policy Statement

34. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP). It is also allowed to undertake additional voluntary payments if desired (voluntary revenue provision - VRP).
35. DLUHC regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.
36. It is proposed that Darlington Borough Council's MRP policy statement for 2023/24 will be:
- (a) For Capital expenditure incurred before 1 April 2008 and expenditure which was granted through credit approvals since that date MRP will be calculated on an annuity basis (2%) over 50 years or the useful life of the asset.
 - (b) Capital Expenditure from 1 April 2008 for all unsupported borrowing MRP will be based on the estimated life of the assets, repayments will be on an annuity basis (2%)
 - (c) Repayments relating to the PFI scheme will be based on the life of the asset of 60 years from 1 April 2008 on an annuity basis (2%).
37. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
38. Repayments included in annual PFI or finance leases are applied as MRP.

39. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.
40. **MRP Overpayments** - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.
41. Cumulative VRP overpayments made to date are £0.500m.

Affordability Prudential Indicators

42. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. The Council is asked to approve the following indicators.

Estimates of the ratio of financing costs to net revenue stream

43. 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 stream.

Table 6 - Ratio of financing costs to net revenue stream

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	2.14%	3.82%	3.85%	3.76%
HRA	14.79%	12.78%	13.59%	14.51%

44. The estimates of financing costs include current commitments and the proposals in this year’s MTFP report.

Treasury Management Strategy

Borrowing

45. The capital expenditure plans set out in the previous paragraphs provide details of the service activity of the Council. The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council’s Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

Under Borrowing position

46. Over the last ten years the Council had maintained an underborrowed position i.e. the amount of our gross external borrowing has been less than our balance sheet Capital Financing Requirement. This strategy has served the Council well in a period where returns on investment have been low and borrowing costs have been relatively high. This has also meant that we have had less in the form of investments and so reduced counterparty risk. To support the MTFP it was agreed that longer term investments would be pursued as these would give a return over and above the cost of any additional borrowing that would be taken. Following due diligence the Council has 3 Property Funds with £10 million in each fund and these are expected to bring a gross return of around 3.50% (1.09% net) over the life of the MTFP. Additional borrowing of £25m was undertaken which resulted in the underborrowed position being reduced.

Current Portfolio Position

47. The overall treasury management portfolio as at 31 March 2022 and for the position as at 31 December 2022 are shown below for both borrowings and investments.

Table 7 – Treasury Portfolio

TREASURY PORTFOLIO				
	Actual 31/03/2022 £m's	Actual 31/03/2022 %	Current 31/12/2022 £m's	Current 31/12/2022 %
Treasury Investments				
Banks	12.000	18.9	16.000	27.9
local authorities	5.000	7.9	0.000	0.0
money market funds	16.400	25.9	11.300	19.7
Total managed in house	33.400	52.7	27.300	47.6
Property funds	29.999	47.3	29.999	52.4
Total managed externally	29.999	47.3	29.999	52.4
Total treasury investments	63.399	100.0	57.299	100.0
Treasury external borrowing				
local authorities	13.000	8.7	17.000	11.9
PWLB	123.982	82.9	113.482	79.3
LOBO's	12.600	8.4	12.600	8.8
Total external borrowing	149.582	100.0	143.082	100.0
Net treasury borrowing	86.183		85.783	

48. The Council's expected treasury portfolio position at 31 March 2022, with forward projections is summarised below at Table 8. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 8 - Gross Borrowing to CFR

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt at 31 March	136.438	150.665	162.965	179.915
Loans to Joint Ventures	11.588	9.361	8.061	2.111
Other long-term liabilities (OLTL)	21.398	21.051	20.696	20.335
Gross Actual debt at 31 March	169.424	181.077	191.722	202.361
The Capital Financing Requirement from Table 5	230.542	235.933	241.167	241.643
Under / (over) borrowing	61.118	54.856	49.445	39.282

49. Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that the borrowing is not undertaken for revenue or speculative purposes.
50. The Group Director of Operations reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This takes into account current commitments, existing plans, and proposals within this budget report.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

51. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 9 - Operational Boundary

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt from Table 8 (incl JV's)	148.026	160.026	171.026	182.026
Other long-term liabilities	21.398	21.051	20.696	20.335
Prudential Borrowing for leasable assets	1.000	1.000	1.000	1.000
Prudential Borrowing under Directors Delegated Powers	1.000	1.000	1.000	1.000
Operational Boundary	171.424	183.077	193.722	204.361

The Authorised Limit for external debt

52. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term:
53. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
54. The Council is asked to approve the following Authorised Limit:

Table 10 – Authorised Limit

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
CFR	230.542	235.933	241.167	241.643
Additional Headroom @ 5%	11.527	11.797	12.058	12.082
Authorised Limit	242.069	247.730	253.225	253.725

55. It is proposed that the additional headroom for years 2023/24 to 2025/26 is 5% above the CFR, this would allow for any additional cashflow needs throughout the years.

Prospects for Interest Rates

56. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services's central view for future interest rates and the economic background to that view is shown at **Appendix 1**.

Table 11 – Interest rates

	Bank Rate %	PWLB Borrowing Rates % (including *certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Dec 2022	3.50	4.30	4.50	4.70	4.30
Mar 2023	4.25	4.30	4.50	4.70	4.40
Jun 2023	4.50	4.20	4.40	4.60	4.30
Sep 2023	4.50	4.10	4.30	4.50	4.20
Dec 2023	4.50	4.00	4.20	4.40	4.10
Mar 2024	4.00	3.90	4.00	4.30	4.00
Jun 2024	3.75	3.80	3.90	4.10	3.80
Sep 2024	3.50	3.60	3.70	4.00	3.70
Dec 2024	3.25	3.50	3.60	3.90	3.60
Mar 2025	3.00	3.40	3.50	3.70	3.40
Jun 2025	2.75	3.30	3.40	3.60	3.30
Sep 2025	2.50	3.20	3.30	3.50	3.20
Dec 2025	2.50	3.10	3.20	3.50	3.20

* *The certainty rate adjustment is a reduced rate by 0.20% for those councils like Darlington Borough Council who have submitted more detail on future borrowing requirement to the Treasury*

Investment and borrowing rates

57. Investment returns are likely to improve in 2023/24. However while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
58. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
59. While the Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry (the difference between higher borrowing costs and lower investment returns), so any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing Strategy

60. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, bank rate increases over the remainder of 2022 and the first half of 2023.

61. Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Group Director of Operations will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- (a) If it was felt that there was a significant risk of a sharp FALL in borrowing rates (eg due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - (b) If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
62. Any decisions would be reported to the appropriate Committee at the next available opportunity.

Treasury Management Limits on Activity

63. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The indicators are:
- (a) Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
 - (b) Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - (c) Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The Council is asked to approve the following treasury indicators and limits:

Table 12 Interest Rate Exposure

	2023/24	2024/25	2025/26
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
Maturity Structure of fixed interest rate borrowing 2023/24			
	Lower	Upper	
Under 12 months	0%	40%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years and above	0%	100%	

Policy on Borrowing in Advance of Need

- 64. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance of need will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds through its investment strategy.
- 65. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

- 66. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates,
- 67. If there was a possibility the reasons for any rescheduling to take place will include:
 - (a) The generation of cash savings and / or discounted cash flow savings;
 - (b) Helping to fulfil the treasury strategy;
 - (c) Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 68. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 69. If rescheduling was done it will be reported to Committee at the earliest meeting following its action.

New Financial Institutions as a source of borrowing

70. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and Non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- (a) Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
 - (b) Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a ‘cost of carry’ or to achieve refinancing certainty over the next few years)
 - (c) Municipal Bond Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).
71. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Annual Investment Strategy

Investment and Creditworthiness Policy

72. The DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
73. The Council’s investment policy has regard to the following:
- (a) DLUHC’s Guidance on Local Government Investments (“the Guidance”)
 - (b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
 - (c) CIPFA Treasury Management Guidance Notes 2021
74. The Council’s investment priorities will be security first, liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.
75. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.
76. The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- (a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
- (b) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.
- (c) Other information sources used will include the financial press, share prices and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- (d) This Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are 2 lists in **Appendix 2** under the categories of 'specified' and 'non-specified' investments.
 - (i) Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
 - (ii) Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.
- (e) Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Table 13.
- (f) Transaction limits are set for each type of investment in Table 13.
- (g) This Council will set a limit for the amount of its investments which are invested for longer than 365 days.
- (h) Investments will be placed with counterparties from countries with a specified minimum sovereign rating.
- (i) This Council has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- (j) All investments will be denominated in sterling.

- (k) As a result of the change in accounting standards for 2022/23 under International Financial Reporting Standard (IFRS) 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018 the Ministry of Housing, Communities and Local Government [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for 5 years ending 31 March 2023). This has recently been extended by Government for a further 2 years to 31 March 2025.

77. However, this Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

78. The above criteria are unchanged from last year.

Investment Counterparty Selection Criteria

Creditworthiness policy

79. This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- (a) 'Watches' and 'Outlooks' from credit rating agencies;
- (b) CDS spreads that may give early warning of changes in credit ratings;
- (c) Sovereign ratings to select counterparties from only the most creditworthy countries.

80. This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- (a) Yellow 5 years
- (b) Purple 2 years
- (c) Blue 1 year (applies to nationalised or semi-nationalised UK Banks)
- (d) Orange 1 year
- (e) Red 6 months
- (f) Green 100 days
- (g) No colour not to be used

81. The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.
82. Typically, the minimum credit ratings criteria the Council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
83. All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.
 - (a) If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - (b) In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
84. Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.
85. Any investment in Property Funds/ Corporate Bond Funds/ Asset Backed Investment Products will be subject to due diligence for each and every fund considered. The maximum amount invested in any one fund will be £20million with a maximum of £50million total for all funds.

Table 13 – Time and monetary limits applying to investments

	Colour (and long-term rating where applicable)	Transaction Limit	Time Limit
Banks	Yellow	£5m	5 years
Banks	Purple	£4m	2 years
Banks	Orange	£3m	1 year
Banks 2 category – part nationalised	Blue	£5m	1 year
Banks	Red	£4m	6 months
Banks	Green	£4m	100 days
Banks	No Colour	Not to be used	
Banks 3 category – Council’s banker (where ‘No Colour’)		£4m	1 day
DMADF (Debt Management Office)	Uk sovereign rating	unlimited	6 months
Other institutions limit			1 year
Local authorities	n/a	£5m per Local Authority	2 years
Money market Funds (CNAV, LVNAV & VNAV) and Ultra Short Dated Bond Funds	AAA	£5m per Fund	Liquid
Property Funds, Corporate Bond Funds and other Asset backed Investment products	AAA	£20m per Fund	

86. Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.
87. The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 3**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
88. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 2 for approval.

Investment Strategy

In-house funds

89. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 so an agile investment strategy would be appropriate to optimise returns.
90. Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash flows can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations

91. The current forecast shown in paragraph 56, includes a forecast for Bank Rate to reach 4.5% in quarter 2 2023.
92. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:-
- | | | |
|-----|---------------------|-------|
| (a) | 2022/23 (remainder) | 3.95% |
| (b) | 2023/24 | 4.40% |
| (c) | 2024/25 | 3.30% |
| (d) | 2025/26 | 2.60% |
| (e) | 2026/27 | 2.50% |
| (f) | Years 6 to 10 | 2.80% |
| (g) | Years 10+ | 2.80% |
93. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit

94. Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.
95. The Committee is asked to approve the treasury indicator and limit: -

Table 14 – Maximum Principal sums invested

	2023/24	2024/25	2025/26
Principal sums invested greater than 365 days	£50m	£50m	£50m

96. For its cash flow generated balances, the Council will seek to utilise its instant access accounts, 30+ day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Investment Risk Benchmarking

97. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. They relate to Investments that are not Property Funds. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

98. Security - The Council’s maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

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

99. Liquidity – in respect of this area the Council seeks to maintain:

- (a) Bank overdraft - £0.100m
- (b) Liquid short-term deposits of at least £3.000m available with a week’s notice
- (c) Weighted Average Life benchmark is expected to be 1 year.

100. Yield - local measures of yield benchmarks are:

- (a) Investments – internal returns above the 7-day Sterling Overnight Index Average (SONIA) compounded rate
- (b) Investments – Longer term – capital investment rates returned against comparative average rates

101. In addition that the security benchmark for each individual year is:

Table 15 - Security Benchmark

	1 year	2 years
Maximum	0.077%	0.077%

Note: This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

102. The above reported benchmarks for Security Liquidity and Yield all relate to Deposits with Banks and Money Market Funds but would not relate to Property Funds.
103. It is proposed that property funds will be benchmarked for performance against the IPD All Balanced Fund index which is the universe of all property funds, data for this can be provided by our Treasury Management advisors Link Group.

End of year investment report

104. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Outcome of Consultation

105. No consultation was undertaken in the production of this report.

Economic Background provided by Link Group

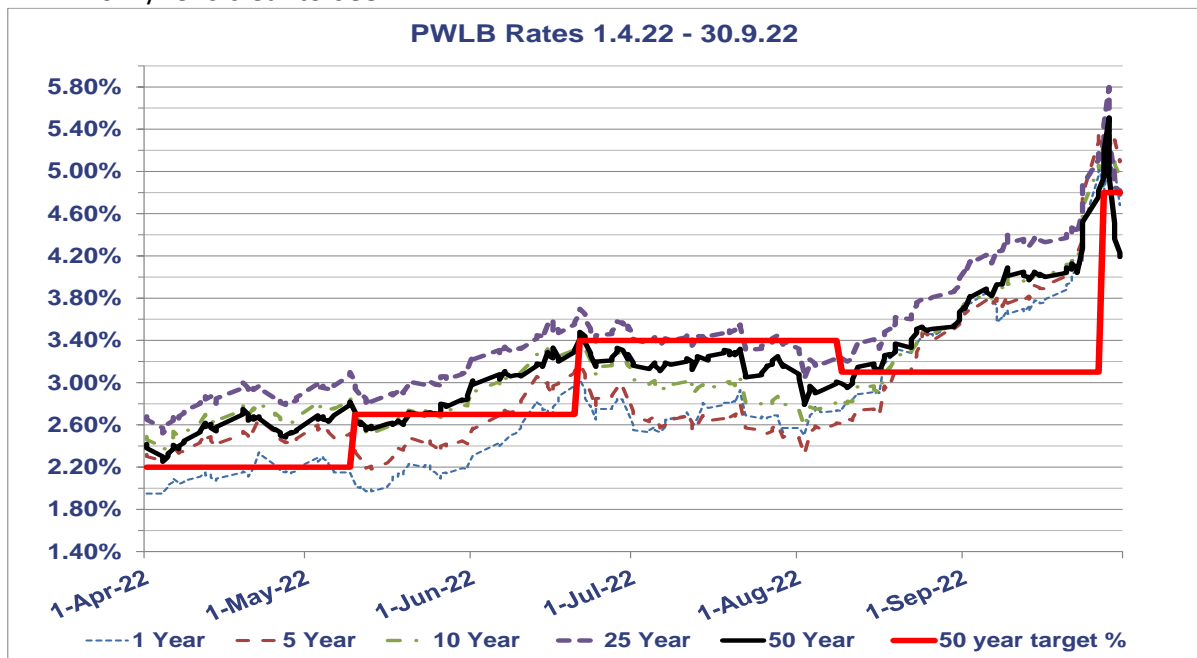
1. Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.
2. Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extraordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

3. Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
4. The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.
5. Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.
6. Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by

her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17 November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

7. Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.
8. The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.20. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
9. In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



10. However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

11. After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

12. At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.
13. Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.
14. Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.
15. In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments

1. All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months).

Non-Specified Investments

2. These are any investments which do not meet the specified investment criteria.
3. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

4. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investment / £ limit per institution	Max. maturity period
Debt Management Account Deposit Facility (DMADF) – UK Government	Yellow	100%	6 months (max is set by DMO)
UK Gilts	Yellow		5 years
UK Treasury Bills	Yellow		364 days (max is set by DMO)
Bonds issued by multilateral development banks	Yellow		5 years
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNAV	AAA		Liquid
Money Market Funds VNAV	AAA		Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local Authorities	Yellow	100%	5 years
Term Deposits with Housing Associations	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Term Deposits with Banks and Building Societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
CD's or Corporate Bonds with Banks and Building Societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Gilt Funds	UK Sovereign rating		

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA:

- (a) Australia
- (b) Denmark
- (c) Germany
- (d) Netherlands
- (e) Norway
- (f) Singapore
- (g) Sweden
- (h) Switzerland

AA+:

- (a) Canada
- (b) Finland
- (c) U.S.A.

AA:

- (a) Abu Dhabi (UAE)
- (b) France

AA-:

- (a) Belgium
- (b) Qatar
- (c) U.K.

This page is intentionally left blank