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Angela Hutchings
Chief Executive

AGENDA

Committee:	AUDIT
Date and Time:	Wednesday 27 September 2023 at 7.00p.m (NB Time)
Venue:	Council Chamber
Membership:	Councillors Harvey (Chairman), Benson, Edwards, May, and A Thornton Substitutes: Councillors Acott, Barton-Brown, TBC, Thomas
Officers attending:	Andrew Barnes, Head of Internal Audit Lance Wosko, Financial Services Manager Michael Dineen, Senior Manager, Counter Fraud & Investigation Directorate Ann Horgan, Head of Governance
Also attending	
Enquiries:	Loretta Hill (01268 882427)

PART I **(Business to be taken in public)**

- 1. Apologies:**
- 2. Members' Interests:**
- 3. Minutes:**
A copy of the Minutes of the meeting held on 12 July and 24 July 2023 are attached.
- 4. Counter Fraud & Investigation Quarterly Performance Report 2023/24 Q1**
Report of the Senior Manager, Counter Fraud & Investigation Directorate.
- 5. Internal Audit Service, Quarterly Performance Report**
Report of the Head of Internal Audit.
- 6. Treasury Management 2022-23 Full Year Report**
Report of the Financial Services Manager.

7. Treasury Management 2023-24 First Quarter Stage
Report of the Financial Services Manager.

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AUDIT COMMITTEE MINUTES

12TH JULY 2023

PRESENT: Councillors Harvey (Chairman), Benson, Edwards, Hart* and May.

SUBSTITUTES MEMBERS PRESENT: Councillors Acott and Hart.

Apologies for absence were received from Councillors A Thornton (Councillor Hart substituted for Councillor Thornton)

ALSO PRESENT: Councillor Anderson.

Andrew Barnes, Head of Internal Audit; Ben Brook, Strategy Policy and Performance Manager Michael Dineen, Assistant Director for Counter Fraud & Investigation Enforcement and Community Safety, Ann Horgan, Head of Governance. Loretta Hill, Governance Officer. Angela Hutchings Chief Executive.

Debbie Hanson, Associate Partner EY was present remotely via 'Teams'.

1. MEMBERS' INTERESTS

No disclosures were made.

2. MINUTES

The Minutes of the meeting held on 26 January 2023 were taken as read and signed as a correct record.

3. COUNTER FRAUD & INVESTIGATION ANNUAL REPORT 2022/23 AND STRATEGY 2023/24

The Counter Fraud & Investigation team (CFI) has responsibility for the prevention, detection, and deterrence of all instances of alleged fraud and economic crime affecting the authority including allegations of fraud, theft, corruption, bribery and money laundering.

The work of the service was led by the annual Counter Fraud Strategy which is approved following consultation with the council's services and intelligence from partners in government and policing.

The Committee considered the annual report for 2022 – 23, the appendix to the report set out progress on the Counter Fraud Proactive Work Plan for 2022/23.

CFI continued to undertake investigations of suspected fraud or other economic crime for the Council. Since the pandemic CFI had found significant reductions in referrals to CFI reporting portals. It was believed that referrals would increase with directed efforts being made by the CFI to engage with all persons that report matters to the team, including internal staff and external persons.

Statistics were before the Committee included:

- 6 referrals were suitable for Investigation.
- 10 referrals were not suitable for investigation and were closed.
- 6 active investigations are currently being conducted.
- The value of open investigations was currently £301,800.
- 43 Property Visits were made by the CFI team.
- 2 Sanctions were issued with 1 house recovered.

Details were provided of the work undertaken with Housing Management to reduce referrals and proactive joint service operations with the Police.

The Committee also considered the proactive work plan proposals for 2023/24. The work programme was a working document and if during the year any proposed changes or additions to the plan would be brought back to the Committee for approval.

Members asked questions on the report. The Committee welcomed the positive action being taken to address fraud. It was hoped this would continue.

Resolved:

1. To note the performance of the Counter Fraud & Investigation team over the last year, 2022/23
2. To note that work completed on the proactive workplan for 2022/23
3. To note and accept the work proposed on the proactive work plan for 2023/24.

4. INTERNAL AUDIT SERVICE, HEAD OF INTERNAL AUDIT ANNUAL REPORT 2022/23

The Head of Internal Audit presented a report on the rationale for an audit opinion on the adequacy and effectiveness of Castle Point Borough Council's (the Council's) risk management, control and governance processes; a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

The Council continued to operate risk management, control and governance arrangements, despite the challenges posed by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic.

Significant changes that have occurred to the operations of the Council were becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needed to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

During the year the Council appointed a new permanent Chief Executive, who was driving a transformation programme aimed at addressing the challenges that the Council is facing and transforming the Council into a modern, financially sustainable organisation focussed on delivering the priorities of the Council and residents.

The success of the transformation programme would be critical for the Council to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that were most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

Management needed to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the transformation programme to drive change that arise, as well as delivery of the Corporate Plan.

Management and Members need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

The work of the Good Governance Group and results of the audits completed continue to confirm that corporate business management processes remain generally well designed and, in some areas, work is underway to update or strengthen them further. There is inconsistency in terms of application, across some services that still needs to be addressed.

With regards to the assurance provided by audit work undertaken, the results of the work indicate that for the design of the Council's risk management arrangements satisfactory assurance can be provided – although the Risk Management Policy Statement and Strategy was due to be reviewed and refreshed – but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there was increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks that sit below those on the corporate risk

register. The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the application of the governance framework as operated for the year, indicating that this requires improvement before it can be satisfactory overall.

Therefore, partial assurance is provided for the year. Work to improve elements of the governance framework is being undertaken, as reflected in the Annual Governance Statement.

The Head of Internal Audit's opinion was that there were no issues other than those already disclosed to be including in the Council's Annual Governance Statement.

The Committee considered the remainder of the report detailed in the supporting commentary and appendices.

Questions were asked regarding repayment of the loan by Thurrock Borough Council. It was confirmed that Internal Audit were being engage in the Transformation Programme.

Resolved –

To note the Head of Internal Audit's Annual Report for 2022/23.

5. ANNUAL GOVERNANCE STATEMENT 2022/23

The Audit Committee were presented with the Annual Governance Statement for 2022/23.

A robust challenge had been made to the assessment of the Council's key governance business processes resulting in an increase in partial assessments for which reasons could be attributed for example lack of governance process, no external inspection to assist validation.

Attention was drawn to the Action Plan to address matters identified in the Statement. A number of actions would continue into the current year. It was confirmed that the actions were challenging and realistic.

In response to questions clarification was provided regarding the partial assessment of Health & Safety.

The Committee welcomed the open and transparent report and would monitor closely the Action Plan.

Resolved –

To approve the Annual Governance Statement 2022/23 and, subject to any further amendments from external audit, approves its inclusion in the financial statements for 2022/23.

6. INTERNAL AUDIT CHARTER, STRATEGY AND PLAN 2023/24

The Internal Audit Charter and supporting Strategy and Audit Plan for 2023/24 was considered by the Committee.

The Charter defined the purpose, authority and responsibility of the service and was attached to the report at Appendix 1. The Strategy, at Appendix 2, outlined how the service would be delivered in line with the Charter and included the Internal Audit Plan for 2023/24 (Appendix 2a), a statement showing how audit work completed during the year would provide assurance regarding the mitigation of the council's strategic risks (Appendix 2b) and the "How We Will Work with You Statement" (Appendix 2c).

Resolved:

The Audit Committee approves the Charter, Strategy and Audit Plan for 2023/24

7. EY EXTERNAL AUDIT STATUS REPORT FOR THE YEAR ENDED 31ST MARCH 2021

Resolved:

For the purpose of Section 100A (4) Local Government Act 1972 as amended as the business contained information relating to an individual or is likely to reveal the identity of an individual (Exempt Information under Paragraphs 1 & 2 Schedule 12A Local Government Act 1972) to exclude the press and public from the meeting to enable the business of the meeting to be transacted in private.

The Committee considered a formal letter from EY the Council's External Auditors raising concerns regarding an outstanding matter which was preventing conclusion of the Audit of Accounts for the year ending March 2021.

The Committee resumed the meeting in public and

Resolved:

To note the correspondence from EY, the Council's External Auditors and request that the Chief Executive put in place all necessary arrangements as soon as possible to enable the 2020/21 Audit of Accounts to be concluded.

Chairman



EXTRAORDINARY AUDIT COMMITTEE – MINUTES

24TH JULY 2023

PRESENT: Councillors Edwards (Chairman), Benson, Hart* and May.

SUBSTITUTES MEMBERS PRESENT: Councillors Acott and Hart.

Apologies for absence were received from Councillors Harvey. Councillor Hart substituted for Councillor Thornton

ALSO PRESENT: Councillor Thornton as an observer as the meeting concerned an outstanding matter from 12.7.2023.

Ms Angela Hutchings, Chief Executive, Andrew Barnes, Head of Internal Audit; Ann Horgan, Head of Governance, Andrew Roby Smith Strategic Director Corporate Services, Monitoring Officer

8. APPOINTMENT OF CHAIRMAN

In the absence of the Chairman of the Committee Councillor Harvey, Councillor Edwards was appointed to Chair the meeting.

9. MEMBERS' INTERESTS

No disclosures were made.

10. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:

For the purpose of Section 100A (4) Local Government Act 1972 as amended as the business contained information relating to an individual or is likely to reveal the identity of an individual (Exempt Information under Paragraphs 1 & 2 Schedule 12A Local Government Act 1972) to exclude the press and public from the meeting to enable the business of the meeting to be transacted in private

11. PROGRESS REPORT ON THE ARRANGEMENTS TO CONCLUDE THE EXTERNAL AUDIT OF THE FINANCIAL STATEMENTS FOR 2020/21

(Exempt Information Paragraphs 1&2 Schedule 12A Local Government Act 1972 as amended)

Audit Committee on 12th July 2023 had considered a letter from the External Auditor explaining that an issue needed to be resolved by the Council before external audit were able to consider the results of that resolution and determine any impact that had on their audit of the 2020/21 financial statements.

The Committee noted the correspondence from the External Auditors and requested that the Chief Executive put in place all necessary arrangements as soon as possible to enable the 2020/21 Audit of Accounts to be concluded. The report on the internal audit of Senior Management Pay and Conditions was being presented at the earliest opportunity to the Committee.

The Monitoring Officer made observations on the Internal Audit report and the meeting.

Chief Executive responded and reported on progress on the Management response to the report detailed in an Action Plan.

The Committee considered the Internal Audit report into Senior Management Pay and conditions. Having heard from the Chief Executive that most of the agreed management actions were being addressed through the Transformation Programme the Committee agreed that further reassurance be provided to the External Auditors by including monitoring of the management action plan into the Transforming Together Audit in the Internal Audit Work Plan for 2023/24.

Resolved:

1. To note the findings reported in the internal audit report on Senior Manager Pay and Conditions.
2. To endorse the recommendations made in that report.
3. To request the Head of Internal Audit incorporates implementation of the Senior Management Pay and Conditions Action Plan into the Transforming Together Audit in the Internal Audit Work Plan for 2023/24 and that a report be made on progress to the next meeting of the Audit Committee.
4. Requests that the external auditor completes their audit of the financial statements for the year ended 2020/21.

Chairman

AUDIT COMMITTEE

Subject: Counter Fraud & Investigation: Quarterly Performance Report 2023/2 Q1

1. Purpose of Report

To inform the Audit Committee on the progress of the Counter Fraud & Investigation work plan for the Council in 2023/24

This report will also report the statistical information in relation to the work performed by the CFI for the Council.

2. Counter Fraud Proactive Work Plan

Appendix A outlines the Counter Fraud Proactive Work Plan for this year (2023/24).

The plan is designed to increase counter fraud knowledge and work across the council as well as support the day-to-day role of the CFI.

3. Investigations

CFI work on referrals that are sent to the intelligence function highlighting criminal behaviour. It is then for CFI to identify, assess, enforce legislation that is in place to protect the council from various types of criminal behaviour (economic). The figure for the cases CFI has dealt with in Q1 can be found below.

- 4 Fraud Alerts have been sent out to internal and external partners.
- 25 Intelligence Reports have been sent to other Law Enforcement agencies assisting in their investigations.
- 4 new reports of suspected fraud have been received in Q1.
- The CFI has 9 active investigations.
- The value of those CFI investigations is £211,500.

4. Contribution to Council's Aims and Priorities

The CFI are working collaboratively with many departments within the Council, with close working partnerships being the cornerstone of the CFI strategy.

The CFI recognised the financial pressures facing Local Authorities and are keen to raise the profile of their work to assist in saving various departments money by the action it takes or by recovering lost monies through civil and criminal recoveries. The CFI increases this awareness by attending the Operational Management Team meetings, as well as attending various 'team' meetings within the Authority.

The CFI is available for all departments to utilise if the staff feel there are any issues that can be resolved by CFI intervention, however its primary role is to ensure those that commit economic crime against the Council are appropriately investigated. The CFI holds professional expertise in all types of economic crime, including theft, fraud, corruption/bribery and have historically worked within service areas such as waste, procurement, revenues & benefits and planning as well as corporate areas such as finance across several Local Authorities.

The CFI are also available for members of the public that feel they have a criminal act to report that involves the council, its property, or its processes and recognise that it is vital for local people to feel there is a way to report these things and their concerns will be investigated and we want to work to raise awareness for the residents of the Borough.

Financial Implications

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

The CFI continue to work on criminal investigations and pursing those that commit crime against the authority.

The CFI service costs the Council £68,000 per annum. This is the cost equivalent of 1 FTE; however, this then allows access to the vast resources and skill sets held at CFI Thurrock, including Digital Forensic Investigators, Financial Investigators as well as Senior and Strategic management roles.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes. Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and claims.

Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution.
- seek to recover losses using criminal and civil law.
- seek compensation and costs as appropriate.

Property Implications

Properties can be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour against the Council.

Consultation

No consultations were required for this report.

Risk Assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

Equality and Environmental Impact:

The effects of the CFI and its work do not pose a significant impact on the wider community. The work carried out by the CFI is predominantly reactive and is always due to a criminal offence taking place. If a prosecution is to take place, an equality impact assessment will be completed to determine if the actions of the CFI are justified if there is a detriment to an individual. This will be completed by appropriately trained staff.

All interactions with individuals are to adhere to the principles of the Council as well as legislation that oversees the work completed by the CFI. All persons are treated fairly and equally, with any adjustment to working practices being made to suit the situation faced by officers of the CFI.

Crime & Disorder Implications (under Section 17 of the Crime and Disorder Act 1998)

Although the investigations that are completed by the CFI are criminal, none involve violence or safety implications to the local community or public in the wider sense. If a situation arose where the safety of any member of staff or member of public became apparent, police assistance would be sought.

The actions of the CFI contribute to the overall detection and prevention of crime within the Local Authority setting, thus adhering to the C&D Act 1998.

Recommendations

The Audit Committee:

- **The Audit Committee notes the performance of the Counter Fraud & Investigation team to date.**
- **The Audit Committee notes the progress of the proactive work plan for 2023/24**

Background Papers

- Fighting & Corruption Fraud locally, the Local Government Fraud Strategy

- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

Appendices

- Appendix A: Counter Fraud Proactive Work Plan 2023/24

Report Author: Robert Kleinberg, Investigations Manager – Counter Fraud & Investigation

Counter Fraud & Investigation



See it. Report it. Stop it.

Counter Fraud & Investigation Proactive Work Plan 2023-24



Proactive Work Plan 2023/24

Risk Area	Activity	When	Current Status	Responsible Officer	Date Completed
Council-wide	<p>Training of Staff and Elected Members</p> <p>Ensure understanding of the threats posed to the Authority in modern times, including cyber enabled fraud. This is to be tailored to the specific areas and ongoing support offered via a Single Point of Contact within CFI.</p>	June 2023 To Mar 2024	Planning and preparation has taken place and allows for training to start in Q2. Progress of this will be highlighted to the Committee through this process.	Rob Kleinberg	
Council-wide	<p>Review all relevant policies concerning Fraud</p> <p>Ensuring that all hold the most up to date legislative information as well as ensuring best practice is always adhered to.</p>	Mar 2024	This will be progressed after the training schedules have been completed	Rob Kleinberg	
Council-wide	<p>Targeting POCA and Civil Legislation to maximise effect on criminal behaviour</p> <p>Ensure that CFI utilise the appropriate legislation to maximise the effects on criminals and ensure that our vision of protecting the public purse is adhered to by promoting this work.</p>	Mar 2024	This is ongoing and where appropriate this legislation will be used within the CFI investigations.	Rob Kleinberg	
Housing	<p>Proactive High Risk Housing Project</p> <p>To work with the Housing department and local police hubs to complete at least 4 proactive operations in areas of high-risk housing. This should be taking place once a quarter.</p>	Mar 2024	This will be planned for throughout the remaining quarters of the year and will be reported to the committee through this process.	Rob Kleinberg	
Council-wide	<p>Develop NFI systems and upload process</p> <p>To establish a process and work-flow for all NFI updates with leads from all areas involved. Develop relevant responses and establish flow of cases to the Counter Fraud & Investigation Team.</p>	Sep 2023	NFI has been assessed and relevant teams will have been spoken to so that a plan of action can be formulated through their own resource levels.	Rob Kleinberg	

Risk Area	Activity	When	Current Status	Responsible Officer	Date Completed
Revenue	<p>Undertake an SPD review</p> <p>The Counter Fraud & Investigation team will work with the Revenues team and establish where a review of those claiming SPD could be targeted to ensure minimal abuse to the benefit.</p>	Jan 2024	This will be completed in Q3.	Rob Kleinberg	

AUDIT COMMITTEE

27th September 2023

Subject: Internal Audit Service, Quarterly Performance Report Q1

1. Purpose of Report

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2023/24.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 11th September.

There has been one change to the audit plan since the plan was approved by the Committee, that was made at the Extraordinary meeting of the Committee on 24th July 2023 to incorporate implementation of the Senior Management Pay and Conditions Action Plan into the Transforming Together Audit and to report on progress to the next meeting of the Committee. There are no outstanding action at the time of preparation of this report.

3. Performance Targets

As outlined in the Strategy presented to the July 2023 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

As at 11th September 2023:

- For the period since 1st April 2023 the team had no sickness days.
- of the 23 jobs in the plan, including those brought forward from the previous year:
 - one is complete
 - six are at draft report stage
 - five are work in progress
 - one is at planning stage
 - ten are yet to start.

Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised.

The feedback provided by services has highlighted some difficulties experienced with the use of contractors when delivering audits on our behalf. The feedback has been discussed with the contractor and additional support will be provided by the in-house team leads moving forward to ensure the service provided maximises value to the Council.

4. Resourcing

Since the last report to the Audit Committee in July 2023 there has been one further change to the staffing of the team, with an Internal Audit Apprentice joining the team from 18th September.

The team currently has five vacancies. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

5. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

Legal Implications

The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

Human Resources

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

Equality Implications

The relevance of equality and diversity will be considered during the initial planning stage of each audit before the Terms of Reference are agreed.

IT and Asset Management Implications

People or asset management issues that are relevant to an audit will be considered as part of the review.

6. Links to Council's Aims, Targets and Objectives

Audit work contributes to the delivery of all the Council's Aims, Targets and Objectives.

7. Timescale for Implementation

The Audit Plan relates to the 2023/24 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is presented to the Audit Committee as part of the annual reporting arrangements after the end of the financial year.

8. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the regular Monitoring Report on the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external suppliers won't deliver contracted out work within the required deadlines or to the expected quality standards
- need to maintain relationships with clients / partners.

Recommendations:

The Audit Committee notes the progress made in delivering the 2023/24 Internal Audit Strategy.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendices

Appendix A Internal Audit Plan 2023/24

Information Items

CIPFA Audit Committee Update Issue 38

Report Author: Andrew Barnes, Head of Internal Audit

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
Managing the Business			
All Aims			
All	<p>Transforming Together To assess the robustness of arrangements in place to deliver the Transforming Together programme of workstreams, and deliver the expectations and benefits for the Council that are anticipated.</p>	Yes	Work in progress
All	<p>Contract management To assess the robustness of arrangements in place to support compliance with legislation and good practice, while ensuring the contracts deliver the appropriate quality of services and achieve value for money.</p>	Yes	Planned for Q3
All	<p>Health and Safety To assess the adequacy of arrangements in place to maintain the necessary framework of policies and procedures to ensure ongoing compliance with Health and Safety legislation.</p>	No	Planned for Q3
All	<p>Performance Management To assess the adequacy of arrangements in place to monitor and manage the effective delivery of services, objectives, targets and outcomes in line with Corporate Plan.</p>	Yes	Planned for Q3
C&D	<p>ICT audit work: utilisation, usage and skills To assess the adequacy of arrangements to implement new digital tools and solutions and integrate these effectively into the Council's ways of working.</p>	Yes	Planned for Q4

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
C&D	<p>ICT audit work: projects and contracts</p> <p>To assess the adequacy of arrangements to develop and implement projects to maximise the impact of digitalisation opportunities to drive improvements in service delivery and increased efficiency.</p>	Yes	Planned for Q3
R	<p>Procurement (brought forward)</p> <p>To assess the robustness of arrangements in place to support compliance with legislation and good practice, while ensuring procurement enables the delivery of quality services and achieves value for money.</p>	Yes	Draft report with the Head of Internal Audit
All	<p>Senior Management Pay and Conditions (brought forward)</p> <p>To assess the adequacy of arrangements to ensure that senior management are effectively recruited, pay and conditions are properly governed, applied consistently and administered appropriately.</p>	Yes	Completed July 2023
C&D	<p>Cyber Security: Incident Management</p> <p>To assess the effectiveness of arrangements in place to quickly identify a Cyber Security incident and the suitability of planned strategic and technical responses following an attack.</p>	Yes	Draft report with the Head of Internal Audit
<i>Implementing Action Plans</i>			
All	<p>Partnerships (brought forward)</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Draft memo being produced

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
Managing Service Delivery Risks			
Aim: People			
All	Sickness Absence Management To assess the robustness of management arrangements to address sickness absence, to appropriately support both the individual and the organisation.	Yes	Planned for Q3
H	Tenancy Management (brought forward) To assess the robustness of tenancy management arrangements to ensure ongoing compliance with tenancy agreements, good practice and applicable legislation, whilst proactively managing the risk of fraud.	Yes	Audit deferred due to service resourcing issues, to be undertaken during 2023/24 Dates to be confirmed
Aim: Place			
P&P	Castle Point Plan To assess the adequacy of arrangements in place to ensure the successful delivery of the Castle Point Plan in accordance with the anticipated timetable.	No	Planned for Q3 Scoping meeting taken place
H	Housing Health and Safety Compliance (brought forward) To assess the adequacy of arrangements in place to ensure ongoing compliance with Health and Safety legislation within the Council's housing stock.	Yes	Draft report with the Head of Internal Audit

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
CS	<p>Corporate Estate and Asset Management (Property) (brought forward)</p> <p>To assess the arrangements in place to ensure assets within the Council estate are effectively managed in order to support delivery of the Council's duties, vision, priorities, objectives and plans for the borough.</p>	Yes	Draft report with the Head of Internal Audit
Aim: Environment			
E	<p>Waste Service Delivery</p> <p>To assess the arrangements in place to run the service as efficiently as possible, with an agile approach allowing effective adaption to change, in order to deliver corporate priorities and work to evolving national waste strategies.</p>	Yes	Draft report with the Head of Internal Audit
Key Financial Systems: All Aims			
R	<p>Housing Rent Collection and Arrears Management</p> <p>To assess the effectiveness of arrangements to ensure billing is accurate and income to the Council is maximised, while ensuring financial errors are prevented and / or detected in a timely manner so information can be relied upon when producing the Council's statement of accounts.</p>	Yes	Planned for Q3
R	<p>Treasury Management</p> <p>To assess the effectiveness of key controls to ensure compliance with the Treasury Management Strategy and prevent or detect material errors, so that this information can be relied upon when producing the Council's statement of accounts.</p>	Yes	Planned for Q4

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
Grant Claims			
H	Disabled Facilities Grant To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Work in progress
E	Homes Upgrade Grant To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Work in progress
Advice and Support			
R	Financial sustainability Provide ongoing support and challenge of the arrangements to deliver a balanced budget for 2024/25 and medium-term financial strategy.	Yes	Work in progress
All	Risk Management Provide ongoing support and challenge to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.	No	Work in progress
H	Disabled Facilities Grant Policy Provide support and challenge to ensure the DFG policy provides the greatest opportunity to maximise utilisation of the DFG funding.	Yes	Planned for Q4

Appendix A: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	External Quality Assessment		
	Reporting to Executive Management Team and Audit Committee		

Appendix A: Internal Audit Plan 2023/24

Audit Activities	Resource allocation
Managing the Business	35%
Managing Service Delivery Risks	11%
Key Financial Systems	11%
Grant Claims	11%
Advice and Support	20%
Managing Delivery of the Audit Plan	12%
Total	100%
Total Council Audit Plan Days	242

The days required to revisit and retest action plans from previous reports are included under each heading.

Analysis Over Departments		
E	Environment	17
H	Housing	33
P&P	Place and Policy	17
C&D	Customer and Digital	33
R	Resources	48
CS	Corporate Services	0
All	Cross cutting	97
All	Managing Delivery of the Audit Plan	29
	Total	242

Appendix A: Internal Audit Plan 2023/24

Risk Watch List	
All	Council Commercialisation
All	Corporate Data Strategy
All	Data Quality
All	Information Governance
C&D	ICT Data Security and Management
C&D	ICT Steering Group
C&D	ICT Strategy / Disaster Recovery
C&D	ICT Data
C&D	ICT Contract
C&D	Housing Benefits
CS	Community Safety Partnership
CS	Licensing
Env	The Paddocks
Env	Food Premises Inspections
Env	Private Sector Housing
Env	Grounds Maintenance and Street Scene
H	Housing Strategy
H	Damp, Mould and Condensation
H	Sheltered Housing
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
H	Management of Void Properties
H	Responsive Repairs
H	Disabled Facilities Grant: Policies and Procedures to maximise utilisation
P&P	Regeneration

Appendix A: Internal Audit Plan 2023/24

P&P	Community Infrastructure Levy & S106 Payments
P&P	Building a Safer Future
P&P	Building Control
Res	Workforce Management
Res	Financial Management and Budgetary Control
Res	Business Planning, Service Planning and linkage to delivery of Corporate Plan
Res	Payroll

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit or the risk profile change.

AGENDA ITEM NO. 6

AUDIT COMMITTEE

27th September 2023

Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2022/23

1 Purpose of Report

The annual treasury report is a requirement of the Council's reporting procedures. It covers both the treasury activity and the actual Prudential Indicators for 2022/23.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

2 Links to Council's priorities and objectives

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's priority of a Commercial and Democratically Accountable Council through sound financial management.

3 Recommendations:

1. That following scrutiny, the Treasury Management Activity Report for 2022/23, including the prudential indicators reported in Annex C, is approved for onward submission to Cabinet.

Resolution required.

4 Background

- 4.1 This report summarises the Council's treasury management activity for 2022/23 and compares actual interest transactions with the revised estimates set for 2022/23.
- 4.2 The Council must comply with the Code of Practice on Treasury Management in the Public Services, issued by CIPFA and updated in 2017. The code requires the Council to annually set a Treasury Management Strategy. The Strategy for the 2022/23 financial year was approved by Council on 24 February 2022.
- 4.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Link Group.

5 The Economy

5.1 **Short-term interest rates.** The Bank of England base rate started at **1.00%** in 2022/23. It was raised to 1.25% in June 2022, and continued to increase up to 4.25% in March 2023. It is however forecast to fall to 2.50% by end of 2025-26. The Council therefore has started to earn higher interest rates which will however be offset by corresponding increase in expenditure, while still facing the challenge of increased counterparty risk.

6 Borrowing

6.1 A summary of external borrowing at 31st March 2023 is in Annex A. The principal amounts are shown in this annex but in the statement of accounts the amounts for borrowing also include interest outstanding.

6.2 The Council operated within treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement throughout the year. The outturn for the Prudential Indicators is shown in Annex C.

6.3 During the year, the Council was able to advantage of rapid and significant increases in the gilt yields in the aftermath of Kwasi Kwarteng's mini budget in September 2022. Councils with PWLB loans are able to seek early repayment of those loans, with gilt yields at the time resulting in either a premium or discount on repayment. As the gilt yields increased, the Council was able to repay some of its long term borrowing at a significant discount. This will give the Council savings in its interest payable budget.

6.4 Annex A shows that interest paid on borrowings was exactly as budgeted, following realignment of the budget in February 2023 to take into account the early repayments made.

7 Investments

7.1 The Council's investment policy is governed by DLUHC Guidance, which was implemented in the annual Investment Strategy approved by Council on 15 February 2023. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity issues.

7.2 Annex B summarises the Council's activities for the year relating to the temporary investment of surplus funds. The average daily balance was **£44.4m** in 2022/23 (**£44.8m** in 2021/22). Only the principal amounts are shown in this annex but in some areas within the Statement of Accounts the investment balances include interest outstanding.

7.3 Annex B also shows that the amount of interest received on these investments was more than budgeted for by **£273k** (42%). The average interest achieved was **2.09%** (0.22% in 2020/21) compared to Sonia Overnight average of 2.24%.

8 Benchmarking

8.1 Three benchmark indicators for 2022/23, explained in the Annual Treasury Management Strategy, are reported as follows:

- **Security** – Weighted Credit Rating Score for the year of **5.06** (6.05 in 2021/22) exceeded the target of 4.0.
- **Liquidity** – Weighted Average Life was at a highly liquid level, averaging **73 days** over the year (46 days in 2021/22).
- **Yield** – Interest received on investments – the rate achieved was lower than the benchmark rate as reported in paragraph 4.3 above.

9 Regulatory Framework, Risk and Performance

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

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities; and
- The CIPFA Code of Practice for Treasury Management in the Public Services.

9.2 The Council has complied with all of the relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low-risk approach.

9.3 The prudential indicators in Annex C demonstrate that in all cases the Council remained within its approved limits.

10 Corporate Implications

a Legal implication

This report is the responsibility of the section 151 Officer – the Officer appointed to have responsibility for the Council's financial administration. Submission of such a report is a requirement of CIPFA's Standard of Professional Practice on Treasury Management.

Under the revised Code of Practice, Cabinet was nominated at Special Council 16th February 2010 to ensure effective scrutiny of the treasury management strategy and policies.

b Financial implications

There are no new implications.

c Human resources and equality implications

There are no new implications.

d Timescale for implementation and risk factors

No new targets applicable.

Report Author: Nancy Kariwo - Accountant

Background Papers:

Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.

CPBC: *Treasury Management Strategy Statement for 2022/23*.

CPBC: *Working paper: external loan calculation 2022/23*.

Summary of Loan Transactions and Interest Payable (accrued daily) for the year to 31st March 2023

Loan transactions activity for the year

	Amount o/s 01/04/2022 £000's	Loans Repaid £000's	Amount o/s 31/03/2023 £000's
Public Works Loan Board			
General Fund	12,450	6,150	6,300
HRA	29,451	2,451	27,000
Totals for the Council	41,901	8,601	33,300

Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2023 £000's	Actual Interest to 31/03/2023 £000's	Variance 31/03/2023 £000's
181	181	0 0.0%
886	886	0 0.0%
1,067	1,067	0 0.0%

Interest rates for the year

	Range of loans		Average
	From	To	
General Fund	1.08%	4.10%	1.95%
HRA	2.31%	3.49%	3.13%
Totals for the Council	1.08%	4.10%	2.84%

Base rate history

16/12/2021	0.25%
03/02/2022	0.5%
17/03/2022	0.75%
05/05/2022	1.00%
16/06/2022	1.25%
04/08/2022	1.75%
22/09/2022	2.25%
03/11/2022	3.00%
15/12/2022	3.50%
02/02/2023	4.00%
23/03/2023	4.25%
31/03/2023	4.25%

Summary of Temporary Investments and Interest Received (accrued daily) for the year to 31st March 2023

Type of Borrower	Amount Invested 01/04/2022 £000's	Made £000's	Repaid £000's	Amount Invested 31/03/2023 £000's
	£000's			£000's
<i>Investments by Value:</i>				
Treasury bills	0	0	0	0
Local Authorities	11,000	3,000	11,000	3,000
Money Market Funds	14,350	171,501	172,231	13,620
Debt Management Office	10,000	73,800	78,000	5,800
Notice accounts	2,000	0	1,000	1,000
Uk Banks-Fixed Deposit Account	5,000	18,000	9,000	14,000
Investments	42,350	266,301	271,231	37,420
Lloyds current account	365	0	99	266
Cash equivalents	365	0	99	266
Total	42,715	266,301	271,330	37,686
<i>Number of Investment Transactions:</i>				
Treasury bills	0	0	0	0
Local Authorities	5	5	1	9
Money Market Funds	19	63	67	15
Debt Management Office	1	24	23	2
Notice accounts	2	1	0	3
Uk Banks-Fixed Deposit Account	1	2	5	-2
Investments	28	95	96	27
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	29	95	96	28

Interest Received on Temporary Investments for the year to 31st March 2023

	£000's
Actual Interest Received	928
Original estimate	655
Variance	273 42%

Temporary Investments

Average Balance for the Period £000's

44,382

Average Interest Rate for the Period £000's

2.09%

Benchmark: Average 7-Day LIBID Rate £000's

2.24%

Prudential Indicators

Indicator 1 - Key indicator of prudence - Gross Debt and the Capital Financing Requirement

"In order to ensure that over the medium term debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The requirement is met for the current year and is expected to be met for the forthcoming two financial years.

Indicator 2 - Capital Expenditure

	2022/23 Revised Estimate £000s	2022/23 Actual £000s
General Fund	4,466	3,159
Housing Revenue Account	2,501	1,955
Total	6,967	5,114

Indicator 3 - Indicator of Ratio of Financing Costs to Net Revenue Stream

	2022/23 Revised Estimate %	2022/23 Actual %
General Fund	8	8
Housing Revenue Account	36	34

This indicator shows financing costs such as interest charges and the minimum revenue provision as a percentage of the net General Fund and HRA revenue budgets.

Indicator 3B - Local Indicator of Ratio of Financing Costs to Net Revenue Stream

	2022/23 Revised Estimate %	2022/23 Actual %
General Fund	13	12
Housing Revenue Account	36	34

This is a variation on the above indicator, which includes in the financing costs any revenue contributions made to fund capital expenditure.

Indicator 4 - Indicator of Capital Financing Requirement (CFR)		2022/23	2022/23
		Revised Estimate	Actual
		£000s	£000s
General Fund	17,102	17,092	
Housing Revenue Account	29,968	29,317	
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.			

Indicator 5 - Authorised Limit for External Debt		2022/23	2022/23
		Revised Estimate	Actual
		£000s	£000s
Borrowing	45,080	44,611	
Other Long-Term Liabilities	0	0	
Total	45,080	44,611	
This indicator shows the overall limit for total external debt, including allowances for changes in the CFR, contingencies, risks, unusual cash flow movements and so on.			

Indicator 6 - Operational Boundary for External Debt		2022/23	2022/23
		Revised Estimate	Actual
		£000s	£000s
Borrowing	44,018	43,551	
Other Long-Term Liabilities	0	0	
Total	44,018	43,551	
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.			

Indicator 7 - Upper Limits of Fixed and Variable Exposure		2022/23	2022/23
		Revised Estimate	Actual
		£m	£m
Upper Limit - Fixed Rates	42	41	
Upper Limit - Variable Rates	(14)	(29)	
This indicator identifies upper limits for net investment / borrowing at variable and fixed rates. Currently all borrowings are at fixed rates and our investments are generally at variable rates. Because of this the fixed rate limit is a positive amount and the variable rate is a negative amount. Both indicators were within the limits at year end.			

Indicator 8 - Maturity Structure of Fixed Rate Borrowing		Upper Limit	Lower Limit	Actual
		%	%	%
cumulative within 1 year		50	0	3
cumulative within 2 years		50	0	5
cumulative within 5 years		60	0	32
cumulative within 10 years		80	0	80
after 10 years		100	0	20

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

AUDIT COMMITTEE**27th September 2023****Subject: Treasury Management Update: First Quarter Stage**

1. Purpose of report

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Links to Council's priorities and objectives

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's objective of a Commercial and Democratically Accountable Council through sound financial management.

3. Recommendation

That following scrutiny, the Treasury Management Quarter 1 activity report for 2023/24 is approved and submitted to Cabinet.

Resolution required.

4. Treasury Management activity quarter 1 report 2023/24

4.1 Introduction

- 4.1.1 Treasury management is: *“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.”*
- 4.1.2 The Code of Practice requires the Council to set annually a Treasury Management Strategy and Investment Strategy. The strategies for the 2023/24 financial year were approved by Council on 15th February 2023.
- 4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with that strategy and in consultation, where appropriate, with the Council’s external adviser, Link Asset Services.

4.2 Borrowing

- 4.2.1 A summary of external borrowing at 30th June 2023 is shown at Annex A.
- 4.2.2 Annex A shows that interest paid on General Fund borrowings and on HRA borrowings for the year to date is as budgeted. This comes as no surprise given the rates of interest are fixed and the Council has not taken out any new loans or repaid any existing loans ahead of schedule.
- 4.2.3 The Council’s policy on capital expenditure and borrowing is set out in the Capital Strategy section of the annual Policy Framework and Budget Setting Report, and as part of this, the affordability of new capital proposals has to be demonstrated. Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. The financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast and the Housing Revenue Account on the HRA Business Plan, would need to be taken into account. Any new borrowing would result in additional interest charges to either the General Fund or HRA, as well as the need to set aside sums from those funds for future repayment of the principal.
- 4.2.4 PWLB Borrowing rates were on a rising trend between 1st April and 30th June. The 50-year PWLB certainty Rate target for new borrowing started 2023/24 at 3.30% before increasing to a peak of 3.80% in June and from 15th June, HRA borrowing is 0.4% lower than the Certainty Rate. As can be seen with rates being so high any potential new borrowing would have to be fully justifiable in terms of the need to borrow. Additional borrowing would be considered for individual projects where for example the business case determines repayment of debt is affordable and can prudently be funded by new revenue generated. No borrowing was undertaken during the quarter ended 30th June 2023. It is anticipated that further borrowing will not be undertaken during this financial year.
- 4.2.5 Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be held by rescheduling or repaying a part of the debt portfolio.

- 4.2.6 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24.
- 4.2.7 All Treasury Management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.3 Investments

- 4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity issues. Investments are managed internally using only those institutions which meet the Council's strict investment criteria, within a permissible range of periods, depending on the Council's cash flow and the interest rates on offer.
- 4.3.2 The majority of investments to date in 2023/24 continue to be in AAA-rated DMO and Money Market Funds and A+ UK Fixed term deposit banks. A Money Market Fund is a pooled source of funds invested in a wide range of short-term investments managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an entity which is awarded that rating.
- 4.3.3 Funds may be deposited with the Debt Management Office (DMO), an executive agency of HM Treasury, and we have continued to use this facility due to its competitive rates.
- 4.3.4 With the exception of the DMO, total investments with any one institution do not exceed **£5.0m**. Internal guidance ensures that at least **50%** of investments at any time are placed with institutions rated AAA (or 40% for up to 5 working days a month).
- 4.3.5 The Council has not made any new investments in Government treasury bills due to very low rates of interest.
- 4.3.6 Annexe B summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. At the end of June 2023, the amount invested was **£37.4m** and the average amount invested for the year to date was **£38.6m**.
- 4.3.7 Annexe B also shows that the amount of interest received on investments to date is **£421k**, £154K more than original estimate. This was driven by high interest rates as a result of increase in bank base rates. The revised budget for the full year is **£1,721K**.
- 4.3.8 Investment rates earned are currently above forecast by **58%** and are in line benchmark rate. The average rate earned is **4.37%**, and therefore in line with the benchmark SONIA Overnight average of **4.37%** (SONIA is the average of interest rates paid by banks to borrow overnight from other financial institutions.).
- 4.3.9 As some of the Council's previous investments made at lower interest rates mature, the Council will be able to make new investments at the higher rates now available rate. Therefore, it is expected that the average rate earned may slightly increase by year end.

4.4 Benchmarking

The current position on three benchmark indicators for 2023/24, as explained in the annual Investment Strategy, is reported as follows:

- Security - Weighted Credit Rating Score for the year to date of **5.4** exceeds the target of 4 (the scale goes from 0 to 7)
- Liquidity – Weighted Average Life is at a reasonably liquid level, currently averaging **145 days**
- Yield – interest received on investments is on target as reported above, with higher balances offsetting lower returns

4.5 Economic uncertainty

4.5.1 The Bank of England base rate at end of 2022/23 was **4.25%** and has increased to **5.00% by 30th June**. The rate is expected to increase to at least 5.5% by December 2023, with markets at time of writing forecasting a peak of 5.75% to 6% in Q1 2024.

4.5.2 The Council will continue to adhere to strict investment criteria. Security and liquidity remain the priority and once assured the Council will then invest for yield. Officers will continue to monitor interest rates offered and seek to ensure the best return possible, without compromising security and liquidity, and within limits specified in the Investment Strategy and internal guidance.

4.5.3 In March 2022 the Council appointed Link Agency Treasury Services(ATS) as Trustee, to receive and facilitate the placement of Term Cash with Deposit Banks on terms agreed with the Council. ATS have a list of approved financial institutions on their panel which are fixed term deposits and notice accounts and have ESG variants for both deposit types which the Council would have access to. As at 30th June 2023 we have invested in three UK deposit banks.

4.5.4 This Facility offers a broad range of fixed term products and notice accounts from the UK and overseas' entities. The Council has diversified its portfolio to included international institutions in our current Strategy. We have not invested in any International institutions so far.

4.6 Conclusion

4.6.1 The results for the three months to 30th June 2023 continue to demonstrate prudent and efficient treasury management.

5. Corporate Implications

a Legal implications

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

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities;
- The CIPFA Code of Practice for Treasury Management in the Public Services.

The Council continues to comply with all of the relevant statutory and regulatory requirements.

b Financial implications

The financial implications are highlighted throughout the report.

c Human resource and equality implications

There are no new implications.

d Timescale for implementation and risk factors

This report shall be presented to the next available Cabinet for information, and an update report as at the second quarter stage will be presented to the next audit committee.

Report Author: Nancy Kariwo, Accountant

Background Papers:

- Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.
- CPBC: *Treasury Management and Investment Strategy Statement for 2023/24*

Summary of Loan Transactions and Interest Payable (accrued daily)
for the year to 30th June 2023

Loan transactions activity for the year

	Amount o/s 01/04/2023 £000's	Loans Repaid £000's	Amount o/s 30/06/2023 £000's
Public Works Loan Board			
General Fund	6,300	450	5,850
HRA	27,000	0	27,000
Totals for the Council	33,300	450	32,850

Interest payable
Comparison of estimate with actual

	Budget Profile to 30/06/2023 £000's	Actual Interest to 30/06/2023 £000's	Variance 30/06/2023 £000's
	16	16	0 0.0%
	208	208	0 0.0%
	224	224	0 0.0%

Interest rates for the year

	Range of loans		Average
	From	To	
General Fund	1.08%	1.08%	1.08%
HRA	2.76%	3.43%	3.11%
Totals for the Council	1.08%	3.43%	2.78%

Base rate history

04/08/2022	1.75%
22/09/2022	2.25%
03/11/2022	3.00%
15/12/2022	3.50%
02/02/2023	4.00%
23/03/2023	4.25%
11/05/2023	4.50%
22/06/2023	5.00%

Summary of Temporary Investments and Interest Received (accrued daily)

For The Period to 30th June 2023

Type of Borrower	Amount Invested 01/04/2023 £000's	Made £000's	Repaid £000's	Amount Invested 30/06/2023 £000's
Investments by Value:				
Local Authorities	3,000	0	3,000	0
Money Market Funds	13,620	40,760	47,050	7,330
Debt Management Office	5,800	20,000	10,800	15,000
Notice accounts	1,000	0	0	1,000
Uk Banks-Fixed Deposit A/c	14,000	8,000	8,000	14,000
Investments	37,420	68,760	68,850	37,330
Lloyds current account	265	0	152	113
Cash equivalents	265	0	152	113
Total	37,685	68,760	69,002	37,443
Number of Investment Transactions:				
Local Authorities	1	0	1	0
Money Market Funds	4	14	17	1
Debt Management Office	1	5	2	4
Notice accounts	1	0	0	1
Uk Banks-Fixed Deposit A/c	4	2	2	4
Investments	11	21	22	10
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	12	21	22	11

Interest Received on Temporary Investments for the period to 30th June 2023

	£000's	Temporary Investments £000's
Actual Interest Received	421	Average Balance for the Period 38,629
Revised estimate	267	Average Interest Rate for the Period 4.37%
Variance	154 58%	Benchmark: Average Sonia Overnight 4.37%
		0.00%