



Council Offices, Kiln Road,
Thundersley, Benfleet,
Essex SS7 1TF.
Tel. No: 01268 882200
Fax No: 01268 882455



Angela Hutchings
Chief Executive

AGENDA

Committee: **AUDIT**
Date and Time: **Thursday 26th January 2023 at 7.00p.m (NB Time)**
Venue: **Council Chamber**
N.B. This meeting will be webcast live on the internet.

Membership: **Councillors Harvey (Chairman), Edwards, May, Riley and A Thornton**
Substitutes: Councillors Acott, Barton-Brown, Cutler, MacLean and Thomas

Officers attending:
Lance Wosko, Financial Services Manager
Ben Brook, Strategy Policy and Performance Manager
Andrew Barnes, Head of Internal Audit
Michael Dineen, Assistant Director, for Investigation, Enforcement & Community Safety

Also attending

Enquiries: **Loretta Hill, Ext. 2427**

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 21st July 2022 is attached.
- 4. Counter Fraud & Investigation Directorate: Quarterly Performance Report 2022/23:**
Report prepared by the Senior Manager; Counter Fraud Investigation Directorate is attached.
- 5. Internal Audit: Quarterly Performance Report 2022/23:**
Report prepared by the Head of Internal Audit is attached.

6. Monitoring Report of the Council's Governance Arrangements

Report prepared by the Strategy Policy and Performance Manager is attached.

7. Local Code of Governance

Report prepared by the Strategy Policy and Performance Manager is attached.

8. Treasury Management and Investment Strategies 2023/24

Report prepared by the Financial Services Manager is attached.

Information Item for Committee not forming part of the Agenda

Audit Committee Update Issue 36.

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AUDIT COMMITTEE

21ST JULY 2022

PRESENT: Councillors Harvey (Chairman), Cutler – Substitute for Councillor Riley Edwards, May, and Thornton.

ALSO PRESENT: Councillors Barton-Brown and Isaacs

Andrew Barnes, Head of Internal Audit; Lance Wosko, Financial Services Manager Ben Brook, Strategy Policy and Performance Manager Michael Dineen, Senior Manager, Counter Fraud & Investigation Directorate, Ann Horgan, Head of Governance, Loretta Hill, Governance Officer

APOLOGIES: Councillor Riley

32. MEMBERS' INTERESTS

There were none.

33. MINUTES

The Minutes of the meeting held on 28th April 2022, were taken as read and signed as a correct record.

34. COUNTER FRAUD & INVESTIGATION QUARTERLY REPORT Q1 2022/23

Audit Committee were informed on the progress of the Counter Fraud & Investigation(CFI) work plan for the Council in 2022/23. The report also reported the statistical information in relation to the work performed by the CFI for the Council.

There had been a downturn in reporting to the counter fraud team which would be addressed in Q2 by having further training with staff as well as a marketing campaign around the different housing areas to raise profile as Covid restrictions had been lifted.

The figures for the cases dealt with in Q1 were set out below.

- 4 Fraud Alerts had been sent out to internal and external partners
- 39 Intelligence Reports had been sent to other Law Enforcement agencies assisting in their investigations.
- 2 reports of suspected fraud had been received
- 15 active investigations were currently being conducted
- The value of open investigations was £339,850

Members were invited to ask questions. The committee discussed, legal fees, costings, Housing Rent. The processing of applications and investigations were explained. Referrals relating to Housing benefit were referred to DWP. An explanation was given in respect of Planned Action on High-Risk Housing. This was identified through the intelligence held by the Police, Housing and Fraud, which generates the target area. It was not always related to Housing Benefit it may be Anti-Social Behaviour.

Resolved:

1. To note the performance of the Counter Fraud & Investigation team to date.
2. To note the progress of the proactive work plan for 2022/23

35. INTERNAL AUDIT SERVICE, HEAD OF INTERNAL AUDIT ANNUAL REPORT 2021/22

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 impact of the Covid-19 pandemic throughout the year. The Council was facing increasing financial pressure that it was working to address, caused by the impact of the pandemic, exacerbated by the inflation and cost of living challenges, all of which are impacting on the financial position.

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

During the year the Council continued to be impacted by the ongoing Covid-19 pandemic. The Council's response held up well, coordinating a wide range of resources from a range of diverse sources to provide the support, response, and management of the community to meet the requirements of the Borough as it went through, and then emerged from, different periods of lockdown during the year.

Significant changes remained in place over the operations of the Council, including most staff working remotely. There remained work to be done as the situation continued to evolve and there would be further challenges as the Borough and the Council worked on recovery from the pandemic and addressing the impact of inflation and the cost of living on both the Council itself and the residents of the Borough. The Council was preparing to deliver and meet the multiple challenges ahead.

Following the sad passing of the Chief Executive in March 2021, the Council continued to function in his absence, but this stretched the capacity of management. As a result, the Council utilised the services of an interim Chief Executive while making a decision about how to deliver the role in the future. Since the end of the year this has now been resolved with a new permanent Chief Executive appointed and arriving, to end the period of uncertainty and enhance the capacity of management to deliver the objectives of the Council.

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 in, although the Risk Management Policy Statement and Strategy is due to be reviewed and refreshed, but partial assurance in respect of operation, as there was 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, 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 had been highlighted in respect of the application of governance framework as operated for the year indicating that this required improvement before it can be considered to be satisfactory overall, therefore partial assurance was provided for the year. Work to improve elements of the governance framework was 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.

Resolved –

To note the Head of Internal Audit's Annual Report for 2021/22.

36. ANNUAL GOVERNANCE STATEMENT 2021/22

The Audit Committee were presented with the Annual Governance Statement for 2021/22.

A number of matters were highlighted to the committee regarding complaints, development of a revised project management toolkit, workforce management; progress with governance actions and identification of governance issues.

Members asked questions and commented on the Statement regarding the property maintenance programme; engagement of the audit process. A query was raised regarding the accuracy of the asset maps.

Resolved:

The Committee approved the Annual Governance Statement 2021/22 and, subject to any further amendments from external audit, approved its inclusion in the financial statements for 2021/22.

AUDIT COMMITTEE

26th January 2023

**Subject: Counter Fraud & Investigation: Quarterly Performance Report
Q2**

1. Purpose of Report

To inform the Audit Committee on the progress of the Counter Fraud & Investigation work plan for the Council in 2022/23

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 (2022/23).

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 Q2 can be found below.

- 6 Fraud Alerts have been sent out to internal and external partners
- 23 Intelligence Reports have been sent to other Law Enforcement agencies assisting in their investigations.
- 1 report of suspected fraud was received
- 33 active investigations are currently being conducted

It is clear that the changes being implemented by the separation of NATIS and the day-to-day activity of the CFI has affected the referral rates to the council. This has been noted and in Q3 there is already a clear uplift in the referrals and the work being carried out.

The lack of referrals would be concerning if it was over a protracted timeframe or if there had been no change to the working personnel of the CFI team. As it stands it is expected that the referral rate and the interaction with teams within CPBC will increase as concentration on education and referrals will be prioritised.

4. Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

CFI are always available to officers and councillors, ensuring confidentiality is maintained where the reporting of wrongdoing is disclosed. CFI will work with any department if it is believed there is wrongdoing taking place within the workplace.

Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

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 insurance 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 could 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.

It was unfortunate that during the Pandemic a number of 'Abandonment' referrals could not be progressed, however the CFI will maintain records of these and will conduct 'day of actions' in the coming months.

Consultation / Equalities Impact Assessment:

None

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.

Value for Money

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 council contribute to the overall budget of the CFI at Thurrock Council by a yearly contribution. 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.

Community Safety Implications and Environmental Impact:

None

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 2022/23**

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 2022/23

Report Author:

Michael Dineen, Assistant Director for Investigation, Enforcement & Community Safety

Counter Fraud & Investigation



See it.



Report it.



Stop it.

Work Plan 2022/23



Proactive Work Plan 2022/23

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Training of high risk areas in counter fraud measures Ensure understanding of the threats posed to those areas. To be tailored to the areas and ongoing support offered via a Single Point of Contact with CFI. This is on the proactive work plan every year and will continue to be a regular feature in the work the CFI completes	June 2022 To May 2023	This is being planned by officers and a timetable of training will be created for the remaining part of the year.	Michael Dineen	
Council-wide	Review all relevant policies concerning fraud aspects Ensuring that all hold the most up to date legislative information as well as ensuring best practice is always adhered to.	Jan 2023	The review is currently taking place and will be in conjunction with senior officers at CPBC. No significant changes have been identified by the SME in this work stream.	Michael Dineen	
Council-wide	Targeting POCA and Civil Legislation to maximise effect on criminal behaviour 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.	June 2023	Ongoing – This is a consistent approach that is taken by the CFI. Where cases of wrongdoing are made and there is acceptable application of the laws, POCA will always be used.	Michael Dineen	
Housing	Proactive High Risk Housing Project To work with the Housing department and local police hubs to complete at least 3 proactive operations in areas of high-risk housing.	June 2023	Ongoing – There have been proactive housing operations and another is to be planned for the next quarter.	Michael Dineen	

AUDIT COMMITTEE

26th January 2023

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2022/23.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 12th January.

There has been one further change to the audit plan since the update provided to Audit Committee in July 2022. This is the addition of the Contain Outbreak Management Fund grant certification following a request received from the Covid Funding Team within the UK Health Security Agency.

Appendices B and C set out the high-level results of the audit work completed and reported upon since the last Audit Committee meeting.

3. Performance Targets

As outlined in the Strategy presented to the April 2022 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 12th January 2023:

- For the period since 1st April 2022 the team had a total of 12 sickness days. 10 of these days relate to one member of staff who was unwell with Covid-19.
- of the 27 jobs in the plan, including those outstanding from previous years:
 - seven are complete
 - 11 are at draft report stage
 - three are work in progress
 - one is at planning stage
 - five are yet to start.

Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised. **Appendix D** reflects the results of the two surveys covering two audits undertaken since April 2022.

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 2022 there has been further changes to the staffing of the team.

The auditor brought in on a temporary basis for six months has now finished their contract with the team. They have secured a permanent position with the Economic Development team at Southend.

One Audit Manager has retired after more than 30 years working within the Audit team at Southend. The second Audit Manager started her Maternity Leave in December 2022.

A recruitment exercise to replace the retired Audit Manager continues after a candidate withdrew after having agreed to accept the post.

A recruitment exercise has been successful in recruiting a new Auditor to the team who is due to take up their post in February.

Including the vacant Audit Manager post, the team currently has seven 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 2022/23 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 2022/23 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

Information Items

CIPFA Audit Committee Update Issue 36

Appendices

Appendix A Internal Audit Plan 2021/22

Appendix B Opinions and Summaries – Other audits and grants

Appendix C Opinions and Summaries – Minimal Assurance

Appendix D Satisfaction Survey Results

Report Author: Andrew Barnes, Head of Internal Audit

Appendix A: Internal Audit Plan 2022/23

Managing the Business			
All Aims			
All	Transformation Objective to be determined once the scope of the transformation work has been set by the business.	Yes	Planning underway
R	Procurement 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.	Yes	Work in progress
All	Project Management To assess the effectiveness of Project Management Toolkit in supporting the Council to deliver projects that support corporate priorities and deliver anticipated benefits, on time and within budget.	Yes	Draft report with management
C&D	ICT audit work Disaster Recovery or ICT Strategy Area and objective to be determined once the Transformation work (see above) has been scoped, as there may be crossover and / or timing considerations to be taken account of.	Yes	On hold Focus dependent on the Transformation work
CS	Ethical Governance (2021/22) To assess the suitability of arrangement to ensure the Council's operations, conduct and leadership is aligned to required ethical standards and associated good practice, to enable ongoing public confidence in the local authority.	Yes	Draft memo with the Head of Internal Audit

Appendix A: Internal Audit Plan 2022/23

All	Senior Management Pay and Conditions (2021/22) 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.	Yes	Audit work complete, findings being discussed with the business and next steps being determined
All	Business Continuity and Response to Covid-19 (2021/22) To assess the effectiveness of the Council's response to the Covid-19 pandemic in ensuring minimal disruption to staff and service delivery, and revisit the work undertaken in 2019/20 to confirm the areas identified have been suitably addressed.	No	Draft report being agreed with the business
C&D	Cyber Security: Incident Management (2021/22) 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.	Yes	Draft report with the Head of Internal Audit
<i>Implementing Action Plans</i>			
All	Partnerships To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	Yes	Draft memo being produced
All	Workforce Management To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	No	Planned for Q4 Resource booked from w/b 13 th March 2023.

Appendix A: Internal Audit Plan 2022/23

Managing Service Delivery Risks			
Aim: People			
H	Tenancy Management To assess the robustness of tenancy management arrangements to ensure ongoing compliance with tenancy agreements, good practice and applicable legislation, whilst pro-actively managing the risk of fraud.	Yes	Planned for Q4 Resource booked from w/b 24 th March 2023.
SD, MO	Safeguarding To assess whether the Council has robust arrangements in place to discharge its statutory responsibilities with regard to safeguarding and promoting the welfare of adults and children in accordance with the statutory requirements.	No	Draft report being produced
Aim: Place			
H	Housing Health and Safety Compliance 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 being produced
H	Fire Safety (2021/22) To assess the adequacy of arrangements in place to ensure fire safety within residential properties is proactively and effectively managed in order to reduce the risk of harm to residents.	No	Completed September 2022

Appendix A: Internal Audit Plan 2022/23

CS	Corporate Estate and Asset Management (Property) (2021/22) 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.	Yes	Draft report with the Head of Internal Audit
<i>Implementing Action Plans</i>			
CS	Corporate Estate and Asset Management (Property) To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	No	Planned for Q4 Resource booked for w/b 13 th March 2023
Aim: Environment			
E	Waste Service Delivery 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	No	Draft report being produced
Key Financial Systems: All Aims			
C&D	Council Tax 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.	Yes	Work in progress

Appendix A: Internal Audit Plan 2022/23

C&D	Business Rates 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.	Yes	Work in progress
Res	Income Receipting and Banking (2020/21) To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Head of Internal Audit discussing draft report with the business
Res	General Ledger (2020/21) To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Head of Internal Audit discussing draft report with the business
Grant Claims			
H	Protect and Vaccinate To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Completed June 2022
E	Homes Upgrade Grant To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Planned for Q4
E	NEW: Contain Outbreak Management Fund To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Completed September 2022

Appendix A: Internal Audit Plan 2022/23

C&D	Test and Trace Support Payment Scheme (2021/22) To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Completed July 2022
E	Green Homes Grant (2021/22) To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Completed October 2022
Advice and Support Work			
Aim: Place			
Res	Knightswick Centre (2020/21) To provide advice, support and challenge over the contract management arrangements being developed to ensure the Knightswick Centre is well managed and remains financially viable.	Yes	Completed August 2022

Appendix A: Internal Audit Plan 2022/23

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		

Audit Activities	Resource allocation
Managing the Business	32%
Managing Service Delivery Risks	22%
Key Financial Systems	10%
Grant Claims	9%
Advice and Support	6%
Managing Delivery of the Audit Plan	13%
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	26
H	Housing	43
P&P	Place and Policy	0
C&D	Customer and Digital	49
R	Resources	24
CS	Corporate Services	7
All	Cross cutting	62
All	Managing Delivery of the Audit Plan	31
	Total	242

Appendix A: Internal Audit Plan 2022/23

Appendix 2a: Internal Audit Plan 2022/23

Risk Watch List	
All	Council Commercialisation
All	Corporate Data Strategy
All	Contract Management
All	Information Governance
All	Performance Management
C&D	ICT Data Security and Management
C&D	ICT Steering Group
C&D	ICT Strategy / Disaster Recovery
C&D	ICT Data
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	Housing Rent Collection and Arrears Management
H	Sheltered Housing
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
H	Management of Void Properties
H	Responsive Repairs
P&P	Regeneration
P&P	Community Infrastructure Levy & S106 Payments
P&P	Building a Safer Future

Appendix 2a: Internal Audit Plan 2022/23

P&P	Building Control
Res	Workforce Management
Res	Financial Management and Budgetary Control
Res	Payroll
Res	Treasury Management

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.

Appendix B: Other Audits and Grant Claims

Protect and Vaccinate Grant

Purpose of Funding

The Protect and Vaccinate grant was announced by the Department for Levelling Up, Housing & Communities in December 2021 in response to the Omicron Covid-19 variant. The purpose of the funding was to enable local authorities to provide safe accommodation for as many people rough sleeping, or at risk of rough sleeping, as possible and supporting them to get their vaccinations.

Funding was provided in two streams, covering:

- Accommodating people sleeping, or at risk of, sleeping rough
- Increasing vaccination uptake amongst people sleeping rough.

Themes

Work undertaken confirmed that grant spend complied with the terms and conditions of the grant.

Opinion: Unqualified

Test & Trace Support Payment Scheme

Purpose of Funding

The Test and Trace Support Payment of £500 was introduced for people on low incomes who had to self-isolate because they either tested positive for Covid-19 or have been notified as a close contact of someone who had tested positive.

Individuals were eligible if they were employed or self-employed, could not work from home and would lose income as a result. Parents or guardians of a child or young person who is self-isolating may also have been eligible for the payment.

Themes

Out of a sample of 35 payments made to 30 individuals, two were found not to have met the eligibility requirements of the scheme:

- One payment made early under the parent and carers scheme was processed without suitable evidence of eligibility being provided. We have concluded this was due to human error, and processes were changed shortly afterwards to reduce the risk of this happening again. No other errors of this nature were seen within the payments reviewed.
- As part of our audit approach, we targeted some of our testing at payments that had been made in quick succession, in order to identify whether any had been made where periods of isolation overlapped. This approach identified one subsequent payment that should not have been made.

Opinion: Subject to the issues highlighted above: Unqualified

Appendix B: Other Audits and Grant Claims

Contain Outbreak Management Fund

Purpose of Funding

The Contain Outbreak Management Fund was provided by government to support Council's with costs associated with ongoing public health and outbreak management costs of tackling Covid-19.

Castle Point received £113,607 directly from central government in 2021. This money was used to provide:

- Solar toilets at the seafront as a measure to improve safety
- Officer capacity to ensure businesses were operating in a Covid secure manner and complying with the necessary guidance at the time, providing advice and support or undertaking enforcement action as required.

Themes

Work undertaken confirmed that grant spend complied with the terms and conditions of the grant.

Opinion: Unqualified

Green Homes Grant

Purpose of Funding

The primary purpose of the Green Homes Grant was to help raise the energy efficiency of low income and low EPC rated households. In Castle Point, funding was used to improve insulation on Park Homes. The following outcomes are expected to result from the scheme:

- Tackle fuel poverty by increasing low-income households energy efficiency rating while reducing their energy bill
- Deliver cost effective carbon savings and progress towards the UK's target for net zero by 2050.
- Support clean growth and ensure homes are thermally comfortable, efficient, and well-adapted to climate change.
- Support a green recovery in response to the economic impacts of Covid-19.

Themes

Out of a sample of 20 cases reviewed, eligibility of individuals and works completed were confirmed with the following two exceptions:

- Bank statements to demonstrate eligibility were not available for one applicant. It is reported by the service that these were checked at the time of application and returned to the individual without a copy being retained.
- A review of bank statements provided for one applicant showed income below the £30k threshold. However, further inspection of the statements provided suggested that the individual held other accounts that had not been provided. Despite requests to the individual for further information to be provided, this was not forthcoming.

Opinion: Subject to the issues highlighted above: Unqualified

Appendix B: Other Audits and Grant Claims

The Knightswick Shopping Centre

Objective

To provide advice, support and challenge over the contract management arrangements being developed to ensure The Knightswick Shopping Centre (the Centre) is well managed and remains financially viable.

Key Themes

The Centre is being managed in an appropriate way. Some feedback to improve the robustness of the contract management arrangements have been discussed with officers. This covers:

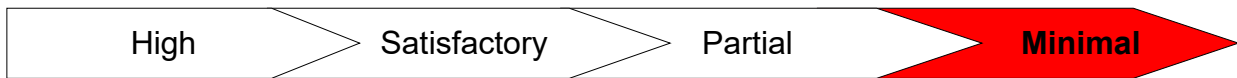
- Obtaining evidence of any analysis of the strength of a prospective tenant's financial covenant
- Details of rent reviews being included in the Management Reports prepared by the managing agent
- The managing agent being financially vetted at regular intervals and establishing a routine and financial float with regards to the timing of payments made by the agent.

There is currently a heavy reliance on the work completed by the Chief Accountant and as a result, potential for a single point of failure. The Council should consider how they can mitigate this so that should the Chief Accountant be away from work, another individual can pick up key tasks in their absence.

Recommendations: 5

Appendix C: Opinion and Themes

Assurance



Fire Safety (Housing)

Objective

To assess the adequacy of arrangements in place to ensure fire safety within residential properties is proactively and effectively managed in order to reduce the risk of harm to residents.

Themes

The audit opinion given in relation to this work is not a rating of fire safety within Castle Point's housing stock. Instead, it reflects our view, following the work completed, of the design and operational effectiveness of the controls and arrangements in place to manage risks in relation to housing fire safety.

The approach to housing fire risk management is contained within the corporate Fire Safety Policy, which requires review and updating to ensure it reflects current practice and evolving legislative requirements. Introducing supporting procedures will provide additional guidance on managing fire safety in practice, including the roles and responsibilities of partners that the Council works with to deliver its fire safety responsibilities and how assurance over all aspects of fire safety will be sought.

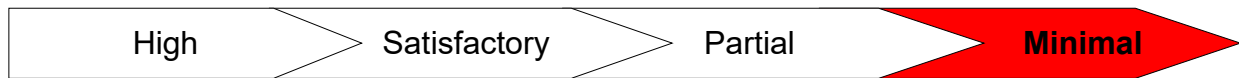
Extending the performance monitoring to incorporate additional KPIs on the fire safety programme will help to demonstrate ongoing compliance. Sharing these regularly with Leadership Team will allow for wider oversight, support and challenge in this increasingly complex area, while providing assurance to those responsible for health and safety of its effective management.

There are a number of areas where there is further opportunity to improve the operational management of fire safety arrangements within the service. These include:

- Extending the guidance outlining the approach to be taken for undertaking Fire Risk Assessments (FRAs), and formalise the expectations of these with partners to help ensure their consistency and quality
- Reconciling fire safety data, including those relating to firefighting equipment (FFE) to ensure all items have been included in necessary programmes to allow maintenance, servicing and inspections to be undertaken
- Clarifying the process for managing remedial actions arising from FRAs and FFE management, including how actions should be:
 - Identified, raised and monitored through to completion
 - Prioritised depending on risk level along including timescales for completion.

Appendix C: Opinion and Themes

Assurance



Finally, Castle Point works closely with partners to deliver its fire safety responsibilities in relation to housing. The Council would benefit from further clarifying its requirements of partners and its expectations on how these requirements are to be delivered. Consideration should also be given as to how the Council can assure itself of the robustness / appropriateness of these deliverables on an ongoing basis, to ensure it is suitably discharging its duties in relation to housing fire safety.

Number of actions agreed: 15

Appendix D: Stakeholder Surveys, Compliance with Professional Standards

Setting up and planning the audit (PSIAS 1200 / 2200)		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	75%
Performing the audit (PSIAS 2300)		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	100%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	100%
Independence and Objectivity (PSIAS 1100)		
7	Did we provide relevant evidence to back up our findings if required?	100%
8	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
Managing the Internal Audit Activity (PSIAS 2000)		
9	Do you think internal audit adds value to the Council?	75%

Committee: AUDIT COMMITTEE

Date: 26th January 2023

**Subject: Monitoring report of Governance Arrangements as
presented in the Annual Governance Statement**

1. Purpose of Report

- 1.1 To present an update of governance arrangements as presented in the Annual Governance Statement.
- 1.2 To report on progress against the action plan to address governance issues as identified in the Annual Governance Statement.

2. Background

- 2.1 Part of the requirement of the Council's governance arrangements is a monitoring report on the operation of the assurance framework for the Council.
- 2.2 Governance arrangements include individual staff leads who have responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from this group.

3. Monitoring Results for Key Governance Processes

3.1 Consultation and Engagement

- 3.1.1 Assurance arrangements remain satisfactory although the degree of engagement varies, with front-line services more likely to consult than support services. Services undertake specific consultation as required to inform the development of new policies and shape future service delivery, for example a consultation was held in November and December to support a review of the current Public Spaces Protection Order – Dogs on Leads. Services also continue to carry out customer satisfaction surveys. For example, the Housing Service conducts surveys on repairs & maintenance works undertaken. Leisure Services undertake regular feedback from customers and use software to calculate a "Net Promoter Score" which gives an indication of how likely existing customers are to recommend the leisure centres to other people. Service plans for 2022/23 include the results of any consultations and customer feedback, which are used to develop new service plan actions.
- 3.1.2 A public consultation was held over May and June 2022 to establish customer satisfaction with a range of Council services as well as gather thoughts about where people live and the communities around them. However, despite making the survey available online, in hard copy from the Council offices and from any of the four libraries in the Borough, just 125 responses were received. Work in this area continues in 2023, with some focus groups in early Spring, and a range of engagement opportunities planned as part of the development of the Castle Point Plan.

3.2 Business Planning and Strategy, including Partnerships

- 3.2.1 The arrangements for business planning and strategy, including partnerships, were assessed as Partial in the Annual Governance Statement. Service plans for 2022/23 were finalised in most cases, ready for implementation from April 2022. However, plans took longer to produce and were finalised later than usual. The Annual Governance Statement identified compliance with service planning requirements as an area for further work. The service planning template has been revised and is with service managers for completion of first drafts by the end of February. The current corporate plan for 2021-2024 was approved by Full Council in September 2021, with progress reported quarterly to Cabinet, as measured through the Corporate Performance Scorecard.
- 3.2.2 The Council's policy framework operates satisfactorily; policies and strategies continue to be refreshed by services, although some updates are overdue. A register of policies and strategies is in place, updated annually and reported to Cabinet each October. The framework is set out in the Policy Framework and Budget Setting report which went to Cabinet and Council in February 2022. The list of policies and strategies on the Council's website has been tidied up and re-ordered, making it easier for people to locate and download key policies and strategies that the Council has in place. The Council's intranet has also been refreshed to make it easier to locate internal policies and procedures.
- 3.2.3 Partnership assurance processes have been subject to further development work, with a range of recommendations arising from an audit of this area, which is now subject to a follow-up audit to review progress. A partnership strategy and framework provide guidance to those considering setting up new partnerships and advice on how to ensure that existing partnerships continue to be effective. However, there is a need to do more to ensure that the effectiveness of key partnerships that the Council is engaged in is reported more formally. Nevertheless, following on from the effective work with partners during Covid, the Council is now much more active in this area of work, particularly with the community and health sectors.

3.3 Financial Planning, Reporting and Budgetary Control

- 3.3.1 Robust processes are in place and provide assurance that the arrangements for financial planning, reporting and budgetary control are effective. The processes in place give adequate officer and member assurance.
- 3.3.2 At year end, variances compared to budget are reported on all service areas, with commentary given on those more than +/- £10k. External assurance is provided by the annual audit of the Council's Statement of Accounts undertaken by the Council's external auditors.
- 3.3.3 The Council's Chief Finance Officer maintains a ten-year rolling financial forecast and reports a medium term (three-year) forecast to Cabinet at least three times a year as part of a comprehensive financial update report. The ten-year forecast is supported by three years detailed budget workings with the remaining years of the forecast being adjusted for future anticipated cost pressures and changes to Council Tax and other sources of funding. Assumptions adopted in the forecast are contained in a detailed report made to Cabinet and Special Council in February annually.
- 3.3.4 An all-member briefing session in relation to the Council's budget took place in April 2022. The purpose of the briefing was to bring Members up to speed on the Council's longer term spending plans and also to commence Member

engagement with work which is required in order to close the Council's budget gap from the 2023/24 financial year. A second briefing session took place in November 2022 to update on the latest position.

- 3.3.5 The Council maintains a level of reserves more than the minimum level recommended by the Council's Chief Finance Officer and set a balanced budget for 2022/23. A significant funding gap is forecast for future years, and this has been drawn to the attention of Members and is referenced in the budget setting report to Cabinet and Council in February 2022. Castle Point is not unique in this respect, with most other Councils also facing significant budget gaps.
- 3.3.6 Arrangements are in place to ensure value for money (VfM) and the assurance processes are operating appropriately. A new Commercial Strategy was approved by Members during 2021 and will have a positive impact on the Council's arrangements for securing VfM.
- 3.3.7 Budget monitoring reports which contain the latest current year forecast outturn are presented to Leadership Team and to Cabinet via email on a monthly basis. The forecast within these reports forms the basis of the position presented in the bi-monthly Financial Updates reports to Cabinet.
- 3.3.8 From 2023/24, Cabinet have agreed that they will receive the Financial Update reports on a quarterly rather than bi-monthly basis, bringing the Council in line with the practices of many other Councils.

3.4 Asset Management

- 3.4.1 There are satisfactory routine assurance processes in place, including Statutory Compliance Testing across the corporate estate. Key estates updates are shared at Operational Management Team (OMT) meetings. Significant asset management issues are referred to the Leadership Team.
- 3.4.2 An extensive Planned Preventative Maintenance Programme is in the process of being commissioned for 2023/24 across 21 corporate assets, with works anticipated to begin in late Spring. Funding provision has been earmarked and completion of the works is planned within the lifetime of the current medium-term forecast.
- 3.4.3 The Corporate Asset Management Plan contains progress in asset management activities and plans which contribute towards the short, medium and long-term aims and objectives of the Council in relation to asset management.
- 3.4.4 All ITC-related assets – including infrastructure such as servers, network equipment etc – are managed as part of the Council's contract with an external provider.
- 3.4.5 The Council owns a small fleet of vehicles and runs a vehicle maintenance workshop to carry out ongoing checks, servicing and repairs. We look to replace these vehicles with new vehicles every seven to eight years.

3.5 Risk Management

- 3.5.1 The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018 and a further refresh is now being developed to ensure that service-level risk registers remain current. Internal Audit are considering utilisation of service-level risk registers as a standard element of all audits.
- 3.5.2 A corporate risk register continues to be in place and is reported in full to Leadership Team and to the Audit Committee twice a year, although updates are

made to the register as and when risks change, or new risks emerge. Risks have been identified as part of the development of service plans for 2022/23 and risks get escalated to the corporate risk register should the identified issue be considered significant.

- 3.5.3 A revised format for the presentation of the corporate risk register has been developed to make this more accessible, and this was reported to the Audit Committee for the first time at the April 2021 meeting. The work to refresh the approach to risk management will seek to develop this further and to ensure that managers and services are engaged in the arrangements to assist them with the appropriate management of the risks faced by those services.

3.6 Health and Safety

- 3.6.1 As an employer the Council continues in its aim to meet its statutory Health and Safety duties and employs a competent person to assist with this. The competent person, who as the corporate health and safety lead, maintains an overview of Council arrangements and provides analysis on current management performance. Any significant health and safety issues are escalated to Leadership Team.
- 3.6.2 The key functions of the corporate health and safety lead is to monitor and review departmental health and safety arrangements and advise the Council's OMT in embedding a positive health and safety culture, where risk is managed sensibly and balanced with specific aims to improve overall safety performance.
- 3.6.3 The health and safety lead continues to work with managers and staff in ensuring that high quality advice is provided wherever necessary, ensuring that lessons are learnt from incidents where appropriate and that we strive for continuous improvements in all areas of health and safety practice.
- 3.6.4 The corporate health and safety lead will continue to implement improvements and advise senior management on the establishment of specific roles and responsibilities for the management of property risk within departments.

3.7 Business Continuity

- 3.7.1 Business continuity (BC) arrangements within the Council are currently subject to an audit, which is expected to conclude Partial compliance with requirements. Essex County Council on behalf of Castle Point undertake the business continuity function. Over the course of the last financial year, there have been issues relating to the continuity of this support, including several changes in personnel which have now been addressed.
- 3.7.2 Revised service level business impact analysis and response plan templates have been produced and rolled out in November 2022 to further improve usability, clarity and outcomes involving a BC incident.
- 3.7.3 A corporate generic business continuity response plan exists, which has recently been subject to full review and revision.
- 3.7.4 The subject of business continuity is incorporated into the quarterly risk management sections of OMT meetings.
- 3.7.5 The Council's emergency planning and business continuity framework document produced in June 2021 describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public. This will continue to be updated and revised to reflect the changes needed to deal with current and emerging risks as well as the Covid emergency and lessons learnt.

- 3.7.6 Through the Essex Resilience Forum, Essex authorities have established a working group to understand best practice and will form Essex-wide recommendations. It is planned that these recommendations will be incorporated within the revised Business Continuity plan.

3.8 Performance Management

- 3.8.1 Core processes continue to operate satisfactorily, including the production of the Corporate Performance Scorecard, which is reported each quarter to Cabinet. The indicators in the corporate scorecard help to show progress in the delivery of the objectives in the corporate plan. The service plans include performance indicators for both council-run services as well as for services provided on the Council's behalf by contractors or partners. These indicators are updated at least quarterly and are reviewed annually as part of the service planning process.
- 3.8.2 Control arrangements also include the production of performance reports by services from the performance database and Manager Assurance Statements which confirm compliance with performance management requirements.
- 3.8.3 At an individual level, employees are set objectives at the beginning of each appraisal year and performance is discussed in one-to-one meetings and at annual appraisals. However, there is not full compliance across the Council and the approach to appraisals will be subject to some development work in 2023.

3.9 Data Quality

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot-checking data. Manager Assurance Statements include a self-assessment against data quality arrangements. Internal Audit review the arrangements to ensure data quality where this is relevant to any audit work being undertaken.
- 3.9.2 A reminder about the importance of Data Quality is sent to OMT each March.

3.10 Information Governance

- 3.10.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Solicitor to the Council acts as the Senior Information Risk Owner.
- 3.10.2 The Solicitor to the Council continues to ensure compliance with the General Data Protection Regulations (GDPR) which came into force in May 2018 although, as announced in the Queen's Speech in May 2022, there is to be a new Data Reform Bill, the development of which the Council will follow to ensure that we are able to remain compliant with the new requirements.
- 3.10.3 The Data Retention Policy was updated in June 2021 and was sent to OMT in June 2021 with a reminder to managers to follow the policy and ensure compliance in their service areas. The update included the addition of missing retention dates together with an expansion of planning documents covered under the policy for greater clarity and understanding. The GDPR online annual training module was also updated with the latest developments, including an update on key legal personnel and how to report or obtain assistance in order to improve staff understanding of GDPR. Reminders were sent out to all staff due a refresher to undertake the training.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of OMT.
- 3.11.2 The Council has a comprehensive procurement toolkit, strategy and associated governance processes which have been subject to an annual review by the Solicitor to the Council. An annual reminder about this toolkit and strategy – as well as about the Council's Contract Procedure Rules and Procurement Thresholds – is sent to both Leadership Team and OMT.
- 3.11.3 The arrangements are proving to be effective, and officers use the expertise provided by the Essex Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs.
- 3.11.4 The Procurement Bill *Transforming public procurement* was formally introduced in the Queens speech in May 2022. It is envisaged that the Procurement Bill will become law in 2023, with a 6-month implementation period to follow. A fully revised toolkit setting out the new requirements and procedures to ensure compliance with the reforms will be issued next year.
- 3.11.5 Service plans will continue to be used, alongside the contracts register, to create a register of planned procurement showing timescales and expected resource requirements. Some training on procurement was provided during the current financial year and further training relating to the new financial regulations will be delivered over the 2023/24 financial year.

3.12 Project Management

- 3.12.1 Assurance processes are subject to further development work. The service plans include an indication of expected projects in the upcoming financial year to help with resource planning.
- 3.12.2 A further advisory audit was conducted in August and September 2021, looking at the new project management toolkit and workbook which was developed in response to an earlier audit recommending a comprehensive revision of project documentation alongside training to raise awareness and improve consistency of approach to project management.
- 3.12.3 Over three days in March 2022, training was provided on the new toolkit and workbook to OMT and others in the Council who manage projects. The focus now shifts to ensure that the revised project toolkit and workbook are used as intended and that there is effective oversight to keep track of project implementation.
- 3.12.4 At the time of writing, this work is subject to a follow-up audit which is drawing to a conclusion.

3.13 Complaints

- 3.13.1 There is a complaints policy in place and complaints are managed in accordance with this policy. Work undertaken on the website has improved signposting to the organisation best placed to respond to the complaint. Recording of complaints in a consistent manner and sharing of learning from complaints is something which requires some attention and a new monitoring tool for corporate complaints is in development.
- 3.13.2 The Local Government Ombudsman Annual Review Letter for the period 1 April 2021 to 31 March 2022 (received in summer 2022) confirmed that: the

Ombudsman did not carry out any detailed investigations; no recommendations were due for compliance; the Ombudsman did not uphold any detailed investigations over the period.

- 3.13.3 The Council also undertakes an annual self-assessment of complaints handling to ensure compliance with the Housing Ombudsman Complaints Handling Code as well as to learn from complaints and improve processes.

3.14 Ethical Governance including Fraud & Corruption and Whistleblowing

- 3.14.1 Satisfactory arrangements are in place. A common code of conduct exists along with appropriate mechanisms, including a Review Committee. New Members of the Council have received induction training on the code of conduct and have completed the necessary register of interests. The Council's Constitution has been reviewed, updated, and was approved by Council in November 2022. This now includes the Local Government Association (LGA) Model Code of Conduct, aligning the Council with Essex County Council and Canvey Island Town Council, both having already adopted the LGA Code.
- 3.14.2 There are appropriate assurance arrangements in place to ensure high standards of officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance.
- 3.14.3 A member of the fraud team – provided through a service level agreement with Thurrock Council – now sits on OMT, raising visibility across a wider set of managers.

4. Progress on the action plan in the Annual Governance Statement

- 4.1 This report includes, as Appendix 1, the action plan from the latest Annual Governance Statement with an update on progress against the actions.

5. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report. Financial implications for individual pieces of work described within this report have been or will be considered as part of the governance process as appropriate.

c. Human Resource & Equality

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

d. IT and Asset Management implications

There are no direct IT or Asset Management implications arising from this report, beyond those reported in 3.4.

6. Links to Council's priorities and objectives

Assurance processes and improvement work support the delivery of all the Council's priorities and objectives.

7. Timescale for implementation and risk factors

The monitoring of the effectiveness of the assurance framework is ongoing and will be reported in Spring and Autumn each year (note: no meeting held in Autumn 2022) with the Annual Governance Statement in July. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

Recommendation:

The Audit Committee notes the assurance provided by this report about the operation of the Council's governance framework, as presented in the Annual Governance Statement.

Background Papers: Local Code of Governance

Report Author: Ben Brook, Strategy Policy and Performance Manager
bbrook@castlepoint.gov.uk 01268 882220

Appendix 1 – Action plan to address significant governance issues identified in the Annual Governance Statement

	Issue	Action 2022/23	Date of implementation	Responsible officer	Update on progress
1.	Improve the organisation's understanding of the effectiveness of partnership working	<p>Develop and introduce reporting mechanisms on key partnerships to members and senior managers</p> <p>Implement recommendations from the Internal Audit of Partnerships</p>	Sep 2022	Strategy, Policy and Performance Manager	<p>Reporting mechanisms on key partnerships is still in development, with a view to using the policy and scrutiny committees (PSCs) as a forum for this. For example, in November 2022, the work of the Mid and South Essex Integrated Care Board (MSE ICB) was presented to the Wellbeing PSC to improve understanding of this important partnership across health, local government and the community and voluntary sector.</p> <p>An audit of this area is underway to review progress being made against the range of recommendations in an earlier audit of partnership arrangements (with reporting mechanisms as one of the main outstanding actions).</p>
2.	Appraisal process value and compliance	Review the appraisal process to ensure it brings value to individual performance management and compliance is in place for all services	Jan 2023	Human Resources Manager	Additional resource has been obtained to support this piece of work. They are expected to be available to the Council from January 2023 and therefore will programme this work from that point onwards.

3.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management	Sep 2022	Head of Internal Audit	The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018 and a further refresh is now being developed to ensure that service-level risk registers remain current. Internal Audit are considering utilisation of service-level risk registers as a standard element of all audits. This work supports the implementation of the remaining areas of focus identified in the health check of risk management.
4.	Raise compliance with service planning requirements	Review of the service plan template and process. Further engagement with service managers in lead up to and throughout the service plan development period.	Jan 2023	Strategy, Policy and Performance Manager	The service planning template has been revised and is with service managers for completion of first drafts by the end of February.
5.	Address any issues raised as part of the audit of business continuity	Implement audit actions	TBC	Senior Resilience and Procurement Officer	At the time of writing, the audit is in the process of being finalised – timescales for implementation of actions will be included in the next governance monitoring report.
6.	Address any issues raised as part of the audit of cyber security	Implement audit actions	TBC	ICT Manager	At the time of writing, the audit is in the process of being finalised – timescales for implementation of actions will be included in the next governance monitoring report.
8.	Simplify the process for recording and managing complaints	Create a simpler and more accessible recording and monitoring tool and review complaints process	Sep 2022	Head of Governance	A new monitoring tool for corporate complaints is in development and will replace the existing monitoring system in the new calendar year.

AUDIT COMMITTEE

26th January 2023

Subject: Local Code of Governance

1. Purpose of Report

- 1.1 To present to the Audit Committee an updated Local Code of Governance, for consideration and adoption.

2. Background

- 2.1 The Local Code of Governance (the Code), which sets out the governance framework adopted by the Council and the principles that underpin it, is regularly reviewed, and updated no less frequently than every three years. A proposed revision (version 1.5) is included as an Appendix to this report.
- 2.2 The overall aim of the governance framework set out in the Code is to help local authorities adopt governance arrangements that:
- are proportionate to the risk environment facing the Council
 - are directed in accordance with agreed policy and according to priorities
 - lead to sound and inclusive decision making
 - ensure clear accountability for the use of those resources in order to achieve desired outcomes for the service users and communities.
- 2.3 It also reinforces the importance of having processes that provide assurance throughout the year that these arrangements are effective.

3. Requirements

- 3.1 It is important that the governance framework adopted by the Council:
- remains proportionate and fit for purpose
 - takes account of partnership arrangements, collaboration, commissioning, shared services and other less traditional ways of service provision as these new ways of working provide additional challenges with regard to managing risk, ensuring transparency and demonstrating accountability.

4. Governance Arrangements

- 4.1 Although the governance framework identifies the systems / processes required to maintain strong and effective governance, it does not define:
- how they should operate; or
 - how ongoing assurance is to be obtained that they are operating as designed.
- 4.2 Therefore, the arrangements to support this overall framework are outlined below.

5. Operation of the Governance Framework

- 5.1 The Local Code of Governance, which sets out the Council's governance framework, is attached at **Appendix 1** and has been amended to reflect some minor changes to the operation of the governance framework.
- 5.2 The Code includes a Good Governance Group of officers to ensure that the governance framework remains appropriate and effective.
- 5.3 In summary, the core framework will consist of:
- maintaining the 'How it Works' guides, providing training where necessary in its concepts and application
 - annual completion of Manager Assurance Statements by service managers
 - annual review and challenge of the assessments provided in the Manager Assurance Statements by the Good Governance Group
 - the Good Governance Group looking for assurance from departmental management teams that action plans arising from Manager Assurance Statements are being dealt with properly and in a timely manner.
- 5.4 This work is reflected in the governance monitoring reports that go to Leadership Team and to the Audit Committee regarding the operation of the Council's governance framework, and which support the production of the Annual Governance Statement (see below).

6. Annual Governance Statement

- 6.1 The purpose of the Annual Governance Statement is to report on the extent to which the Council's Local Code of Governance has been complied with, including how the effectiveness of governance arrangements have been monitored in year and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation, and this is achieved at the Council through the discussion and collaboration that takes place between the Good Governance Group and senior management as part of the production process.

7. Corporate Implications

(a) Financial Implications

None arising from the proposals in the report, but it should be noted that *Financial Planning, Reporting and Budgetary Control, including Value for Money* is a key element of the governance framework.

(b) Legal Implications

The [Accounts and Audit Regulations 2015](#) section 6 states that:

- (1) A relevant authority must, each financial year—
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

- (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
 - (a) consider the findings of the review required by paragraph (1)(a)
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) [Makes reference to Category 2 authorities – not relevant to Castle Point Borough Council which is Category 1]
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
 - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts

(c) Human Resources and Equality Implications

Human Resources

All members and staff need to adopt the principles and values outlined in the Code and managers are responsible for applying the business management processes required within their service areas.

Equality Implications

This is reflected in both the principles, values and business management processes to be adopted.

8. Links to Council's Priorities and Objectives

- 8.1 Operating robust governance arrangements contributes to the delivery of all the Council aims and priorities.

9. Timescale for Implementation and Risk Factors

- 9.1 The new Code will apply from 1 February 2022 (subject to Audit Committee approval).
- 9.2 Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities will not be delivered.

Recommendation

The Audit Committee approves the Local Code of Governance and agrees its adoption.

Resolution Required**Background Papers**

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government – Framework (2016 version).
- The Accounts and Audit Regulations 2015

Report Author: Ben Brook Strategy, Policy and Performance Manager
bbrook@castlepoint.gov.uk 01268 882220



LOCAL CODE OF GOVERNANCE

(APPENDIX 1 TO REPORT TO AUDIT COMMITTEE)

Produced by: Strategy, Policy and Performance Manager

Version: v1.5 (Jan 2023)

Next Review: January 2026

Approved by: **Leadership Team: January 2023**

Audit Committee: To be Considered January 2023

LOCAL CODE OF GOVERNANCE

WHAT DO WE MEAN BY GOVERNANCE?

Good governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms to control and manage risk. All authorities should aim to meet the highest standards, and governance arrangements should not only be sound but also perceived to be sound.

The Council recognises that achieving high standards of governance gives confidence to stakeholders and allows the Council to undertake its community leadership role more effectively.

PURPOSE OF THE GOVERNANCE FRAMEWORK

Castle Point Borough Council (the Council) is accountable for the proper conduct of public business. This means ensuring that it operates in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In doing this, each local government body operates using a governance framework that brings together an underlying set of values, legislative requirements, governance principles and management processes that enables it to achieve its aims and objectives.

This Local Code of Governance (the Code) sets out the governance framework adopted by the Council in line with good practice guidance¹, including the principles that underpin it. The governance framework established is proportionate to the overall risk environment facing the Council.

These principles should be considered in the light of the four key roles for local authorities, as set out in the same good practice guidance, which are:

- to engage in effective partnerships and provide leadership for and with the community
- to ensure the delivery of high-quality local services whether directly or in partnership or through commissioning
- to perform a stewardship role which protects the interests of local people and makes the best use of resources
- to develop citizenship and local democracy.

¹ Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework (2016) (CIPFA Framework), reflecting the eight core principles from *The International Framework: Good Governance in the Public Sector* (2014) by CIPFA / IFAC.

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The Council then discharges accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.

This document sets out:

- accountability as well as the principles and values by which the Council operates;
- how the principles are put into practice in order to enable service delivery to reflect community need and how ongoing evidence is obtained that demonstrates effective operation of these principles throughout the year;
- the annual reporting process; and
- how the Code is communicated to members, staff and other relevant parties.

ACCOUNTABILITY

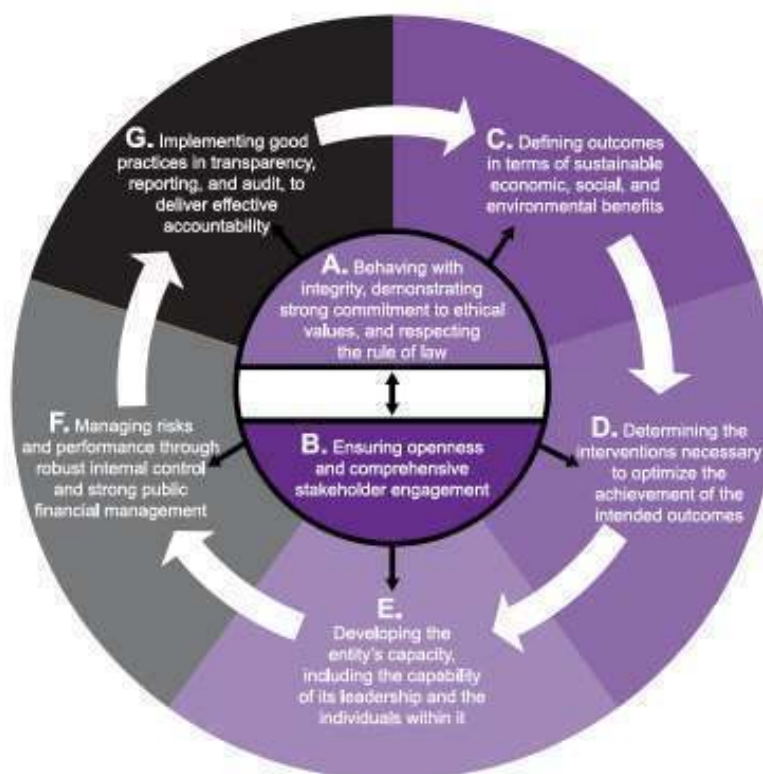
The Council delegates responsibility for independently checking that an effective governance framework (which includes a sound system of internal control) exists and operates effectively throughout the year to the Audit Committee.

The Leader and Chief Executive of the Council:

- are accountable for ensuring good governance in their authority
- sign the Annual Governance Statement on behalf of the Council.

PRINCIPLES

At an organisational level, the Council has adopted the eight core principles from the CIPFA Framework as the basis on which it wants to operate as outlined below.



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Appendix A expands on these core principles to show how they will be applied in practice.

These put high standards of conduct and leadership at the heart of good governance, placing responsibility on members and staff to demonstrate leadership by behaving in ways that exemplify high standards of conduct and so set the tone for the rest of the organisation.

VALUES

In discharging their roles and implementing the principles outlined above **at an individual level**, members and employees are expected to adopt:

- the ***Nolan Committee's Seven Principles of Public Life***, as outlined at **Appendix B**;
- the ***Council's own values*** as outlined below.
 - **Equality**: Fair treatment for all
 - **Respect**: Respect for each other
 - **Integrity**: Integrity in the work we do and the decisions we make
 - **Caring**: Listening and acting on staff, councillor, and customer needs
 - **Innovation**: Seeking new, improved ways of working and delivering services
 - **Teamwork**: Valuing everyone's contribution
 - **Accountability**: Being open and accountable to our residents, customers, partners, councillors and staff.

This will ensure that their own conduct complies with these overarching good governance principles.

PUTTING THE PRINCIPLES INTO PRACTICE

All organisations, whether public or private, large or small, need to operate the same core management processes in order to enable them to set and deliver their vision, aims and objectives. These processes are explained in **Appendix C** and structured below under the four main management activities that all successful organisations discharge well.

MANAGING CUSTOMERS

- Consultation and Engagement
- Customer Satisfaction
- Complaints, Compliments and Comments

MANAGING PEOPLE

- Workforce Development Planning
- Ethical Governance
- Staff Performance Management
- Health and Safety
- Business Planning and Strategy

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MANAGING PERFORMANCE

- Committee Structure, Constitution, Policy Framework and Procedures
- Performance Management
- Risk Management, Whistleblowing and Business Continuity
- Data Quality
- Data Management and Security
- Contract Management
- Project Management
- Change / Transformation Management

MANAGING RESOURCES

- Financial Planning, Budgetary Control and Treasury Management
- Asset Management
- Fraud & Corruption
- Insurance
- Procurement and Value for Money

Whilst the above sets out the processes that need to be in place to demonstrate good governance arrangements, it does not explain how each process works. Therefore a “How it Works” guide is maintained and updated annually which sets out the minimum expectations to ensure management processes that are proportionate but fit for purpose. The guide is available on the Council’s corporate drive and is shared with managers each year alongside guidance on completing Manager Assurance Statements (see section Management Evidence on page 8).

The Council also has a specific responsibility for ensuring that:

- the financial management of the body is adequate
- it has a sound system of internal control which facilitates the effective exercise of its functions, and which includes its arrangements for the management of risk.

All services are responsible for maintaining proportionate but sound operational procedures and processes that adequately mitigate risks that may result in a service failure or the failure to deliver service objectives.

Application of the framework should put the Council in a strong position to successfully deliver its vision, aims and objectives.

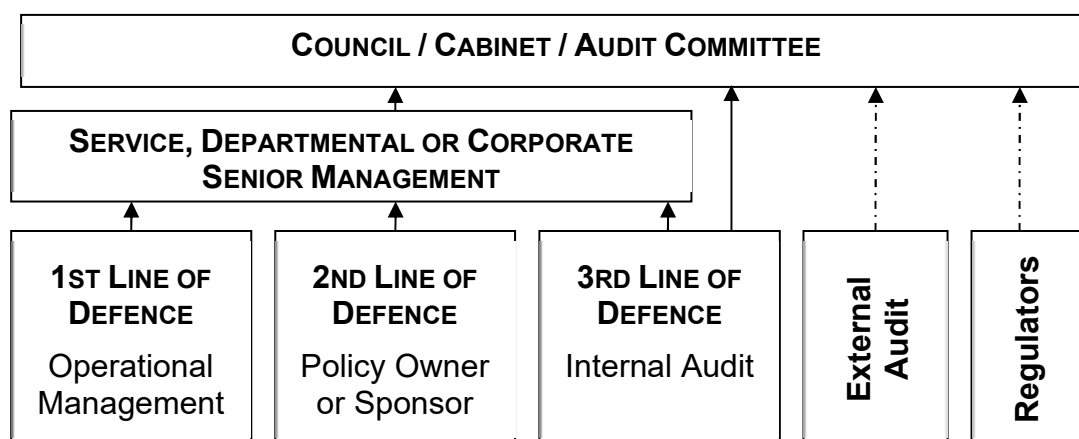
EVIDENCING EFFECTIVE IMPLEMENTATION

THE APPROACH

In order to ensure that the governance framework set out above is in place and operating properly throughout the year, the Council has adopted the concept contained in the **THREE LINES OF DEFENCE²** model, as shown below.

² Based upon general industry good practice, more specifically guidance issued by the European Confederation of Institutes of Internal Auditing (ECIIA) *Monitoring the effectiveness of internal control, internal audits and risk management systems* (September 2010) and as amended in the report *Corporate governance & cybersecurity* (September 2017).

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Ongoing evidence that the governance framework is being applied is obtained via:

The first line of defence which is:

Operational management, who are **responsible** for the effective and consistent application of these requirements in their area of operation (which includes both behavioural as well as procedural arrangements)

The second line of defence which is:

The 'owner' or 'sponsor' who is **accountable** for the overall operation of the corporate management or service specific process and should ensure that:

- it is fit for purpose (e.g. based upon relevant good practice), regularly reviewed and approved by senior management and members
- it is constructed so that evidence of its application is easily produced i.e. as 'business as usual'
- there are proportionate and cost-effective mechanisms in place to enable them to confirm that operational managers are applying it effectively and consistently
- informative, regular and timely reports are provided to senior management and councillors to confirm the process has been operating effectively and consistently, identifying any remedial actions required should this not be the case.

The third line of defence which is:

Internal Audit who provide **independent assurance** to senior management and the Audit Committee, on how effectively the first and second lines of defence have been operating.

SYSTEM OF INTERNAL CONTROL

Within this, it is incumbent on all staff to ensure that:

- sufficient checks (controls) are built into all systems, processes and activities to ensure that they consistently and effectively deliver the objectives required of them (risk management / mitigation)
- they obtain sufficient evidence throughout the year (key management controls) that these checks are operating as they should and therefore that the objectives of the systems, processes and activities are being delivered.

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OTHER POTENTIAL ASSURANCE

This can be obtained from external sources such as external audit, regulators and peers and is considered as a fourth line of defence where any of this third-party activity is relevant and robust.

KEY COMMITTEES

Full Council is responsible for ensuring the organisation has good governance arrangements. It can discharge this duty itself or delegate this role to a committee although accountability for this remains with Council.

Although the Council has delegated this function to the Audit Committee, there are five key member groups (other than Full Council) that have a significant role to play within the governance framework:

- **Cabinet** is responsible for leading the community and organisational planning process, setting the policy framework, priorities and budget, and monitoring performance;
- **Review Committee** responsibilities include promoting and maintaining high standards of conduct by Members and hearing and determining complaints about members;
- **Policy & Scrutiny Committees** are responsible for the review and development of policies and strategies and undertake specific development work at the request of Cabinet;
- **Audit Committee** is responsible for independently checking that appropriate governance arrangements (including the system of internal control) are in place, operating effectively throughout the year and that actions required to strengthen these arrangements are addressed, in a timely manner. Its work programme is designed to provide it with sufficient evidence to conclude that the Annual Governance Statement accurately reflects the governance arrangements as operated for the year in question;
- **The Council's Monitoring Officer** is responsible for promoting and maintaining high standards of conduct by the members and co-opted members, and assisting them to observe the Council's Code of Conduct; and
- **The Council's Section 151 Officer** is responsible for the proper administration of the Council's financial affairs and is required to report to all Members if there is, or is likely to be, unlawful expenditure or an unbalanced budget.

This means that it is necessary sometimes for information to go to more than one committee in order for them to discharge their respective responsibilities.

GOOD GOVERNANCE GROUP

The Council has a Good Governance Group that works collectively at least three times each year to oversee the delivery of the governance framework. There is a terms of reference for this group and the findings of the group are reported to Leadership Team through the governance monitoring reports and Annual Governance Statement.

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ANNUAL REVIEW AND REPORTING

Local Authorities are required to undertake an annual review of their governance arrangements and evidence that they are:

- up to date, fit for purpose and comply with the CIPFA Framework;
- consistently applied across the organisation at all service levels; and
- being strengthened as necessary where improvement opportunities have been identified.

The Annual Governance Statement should be reported to the Audit Committee, be made available to the Council when included as part of the Annual Statement of Accounts, and externally when the Annual Statement of Accounts is published on the Council's website.

As with the in-year arrangements for obtaining evidence that the governance framework is operating as it should, annual assurance is also provided by management as well as internal and external audit.

MANAGEMENT EVIDENCE

Management contribute to this annual requirement by asking for assurance from:

- operational managers who confirm the degree to which key management processes have been applied in their service areas throughout the year
- the owners or sponsors of key management processes regarding the adequacy of and compliance with these arrangements, through their contributions to the two governance monitoring reports over the year plus through the Annual Governance Statement

The Head of Governance will undertake to confirm the successful transaction of Council business over the year.

Members of the Good Governance Group – as the owners of key management processes – will challenge the assessments provided in the Manager Assurance Statements when meeting to agree on the assessments for each governance process to feed into the Annual Governance Statement, highlighting any areas that require senior management attention. The Good Governance Group will monitor delivery of any areas that require improvement through monitoring reports twice yearly to Leadership Team and to Audit Committee. This work will also provide evidence that the governance framework is being applied throughout the year.

Other manager assurance is provided by:

- annual reports on:
 - the Council's risk management arrangements (including those relating to fraud and corruption)
 - compliance with the treasury management policy
- the approval of the financial statements
- Self-assessments by the Head of Internal Audit and the Section 151 officer against the CIPFA statements on the role of these functions, both contained within the Annual Governance Statement.

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INDEPENDENT EVIDENCE

Evidence primarily takes the form of:

- the Head of Internal Audit's annual report, which includes an opinion on the overall system of internal control and whether the internal audit function has complied with professional standards; and
- the external auditor's Annual Governance Report to Those Charged with Governance.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is produced by the Good Governance Group and considered by the Leadership Team before being reported to the Audit Committee. The Audit Committee considers whether the Annual Governance Statement accurately reflects its understanding of how the Council's governance arrangements have operated for the year in question. It either approves the Annual Governance Statement or recommends it to Council for approval.

The Annual Governance Statement is signed by the Leader and the Chief Executive on behalf of the Council as part of the approved statement of accounts.

COMMUNICATION OF THIS CODE

This Code is available on the internet. It is therefore accessible to all staff, members, the public and other stakeholders.

Training on aspects of the governance framework or the application of key business management processes is provided as required.

The Strategy, Policy and Performance Manager can be contacted on 01268 882358 with any queries regarding the Code.

APPENDIX A TO THE LOCAL CODE OF GOVERNANCE
CORE PRINCIPALS FROM CIPFA/SOLACE DELIVERING GOOD GOVERNANCE IN
LOCAL GOVERNMENT: FRAMEWORK (2016)

Core Principle: A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principle	The Council will
1. Behaving with Integrity	<ul style="list-style-type: none"> • Ensure members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation
	<ul style="list-style-type: none"> • Ensure members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood
	<ul style="list-style-type: none"> • Lead by example and using the above standard operating principles or values as a framework for decision making and other actions
	<ul style="list-style-type: none"> • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seek to establish, monitor and maintain the organisation's ethical standards and performance
	<ul style="list-style-type: none"> • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation
	<ul style="list-style-type: none"> • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values
	<ul style="list-style-type: none"> • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation
3. Respecting the rule of law	<ul style="list-style-type: none"> • Ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
	<ul style="list-style-type: none"> • Create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
	<ul style="list-style-type: none"> • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders
	<ul style="list-style-type: none"> • Deal with breaches of legal and regulatory provisions effectively
	<ul style="list-style-type: none"> • Ensure corruption and misuse of power are dealt with effectively.

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LOCAL GOVERNMENT: FRAMEWORK (2016)

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting Principle	The Council will
1. Openness	<ul style="list-style-type: none"> • Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
	<ul style="list-style-type: none"> • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided
	<ul style="list-style-type: none"> • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
	<ul style="list-style-type: none"> • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action
2. Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
	<ul style="list-style-type: none"> • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
	<ul style="list-style-type: none"> • Ensure that partnerships are based on: <ul style="list-style-type: none"> ○ trust ○ a shared commitment to change ○ a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
3. Engaging with individual citizens and service users effectively.	<ul style="list-style-type: none"> • Establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
	<ul style="list-style-type: none"> • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.
	<ul style="list-style-type: none"> • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and

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CORE PRINCIPALS FROM CIPFA/SOLACE DELIVERING GOOD GOVERNANCE IN
LOCAL GOVERNMENT: FRAMEWORK (2016)

	organisations of different backgrounds including reference to future needs.
	<ul style="list-style-type: none"> • Implement effective feedback mechanisms to demonstrate how views have been taken into account.
	<ul style="list-style-type: none"> • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	<ul style="list-style-type: none"> • Take account of the impact of decisions on future generations of tax payers and service users

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LOCAL GOVERNMENT: FRAMEWORK (2016)

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Supporting Principle	The Council will
1. Defining Outcomes	<ul style="list-style-type: none"> Produce a corporate plan with a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions
	<ul style="list-style-type: none"> Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer
	<ul style="list-style-type: none"> Deliver defined outcomes on a sustainable basis within the resources that will be available
	<ul style="list-style-type: none"> Identify and manage risks to the achievement of outcomes
	<ul style="list-style-type: none"> Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available
2. Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
	<ul style="list-style-type: none"> Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints
	<ul style="list-style-type: none"> Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs
	<ul style="list-style-type: none"> Ensure fair access to services

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LOCAL GOVERNMENT: FRAMEWORK (2016)

Core Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes

Supporting Principle	The Council will
1. Determining Interventions	<ul style="list-style-type: none"> • Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided
	<ul style="list-style-type: none"> • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
2. Planning Interventions	<ul style="list-style-type: none"> • Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets
	<ul style="list-style-type: none"> • Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
	<ul style="list-style-type: none"> • Consider and monitor risks facing each partner when working collaboratively, including shared risks
	<ul style="list-style-type: none"> • Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances
	<ul style="list-style-type: none"> • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured
	<ul style="list-style-type: none"> • Ensure capacity exists to generate the information required to review service quality regularly
	<ul style="list-style-type: none"> • Prepare budgets in accordance with objectives, strategies and the medium-term financial plan
	<ul style="list-style-type: none"> • Inform medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
3. Optimising the achievement of intended outcomes	<ul style="list-style-type: none"> • Ensure the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints
	<ul style="list-style-type: none"> • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium- and longer-term
	<ul style="list-style-type: none"> • Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery

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	issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
	<ul style="list-style-type: none">• Ensure the achievement of 'social value' through service planning and commissioning

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CORE PRINCIPALS FROM CIPFA/SOLACE DELIVERING GOOD GOVERNANCE IN
LOCAL GOVERNMENT: FRAMEWORK (2016)**

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principle	The Council will
1. Developing the entity's capacity	<ul style="list-style-type: none"> • Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.
	<ul style="list-style-type: none"> • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
	<ul style="list-style-type: none"> • Recognise the benefits of partnerships and collaborative working where added value can be achieved
	<ul style="list-style-type: none"> • Develop and maintain an effective workforce plan to enhance the strategic allocation of resources
2. Develop the capability of the entity's leadership and other individuals.	<ul style="list-style-type: none"> • Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
	<ul style="list-style-type: none"> • Maintain a Council constitution that specifies the type of decisions that are delegated and those that are reserved for the collective decision making of the government body.
	<ul style="list-style-type: none"> • Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority
	<ul style="list-style-type: none"> • Develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ○ ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ○ ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis

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	<ul style="list-style-type: none"> ○ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
	<ul style="list-style-type: none"> • Ensure that there are structures in place to encourage public participation
	<ul style="list-style-type: none"> • Take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
	<ul style="list-style-type: none"> • Hold staff to account through regular performance reviews which take account of training or development needs
	<ul style="list-style-type: none"> • Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

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Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting Principle	The Council will
1. Managing Risk	<ul style="list-style-type: none"> Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making
	<ul style="list-style-type: none"> Implement robust and integrated risk management arrangements and ensuring that they are working effectively
	<ul style="list-style-type: none"> Ensure that responsibilities for managing individual risks are clearly allocated
2. Managing Performance	<ul style="list-style-type: none"> Monitor service delivery effectively including planning, specification, execution and independent post implementation review
	<ul style="list-style-type: none"> Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook
	<ul style="list-style-type: none"> Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible
	<ul style="list-style-type: none"> Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
	<ul style="list-style-type: none"> Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
3. Robust Internal Control.	<ul style="list-style-type: none"> Align the risk management strategy and policies on internal control with achieving objectives
	<ul style="list-style-type: none"> Evaluate and monitor risk management and internal control on a regular basis
	<ul style="list-style-type: none"> Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
	<ul style="list-style-type: none"> Ensure an audit committee, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon

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4. Managing Data.	<ul style="list-style-type: none"> • Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
	<ul style="list-style-type: none"> • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies
	<ul style="list-style-type: none"> • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring
5. Strong Public Financial Management	<ul style="list-style-type: none"> • Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance
	<ul style="list-style-type: none"> • Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

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CORE PRINCIPALS FROM CIPFA/SOLACE DELIVERING GOOD GOVERNANCE IN
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Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principle	The Council will
1. Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
	<ul style="list-style-type: none"> • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
2. Implementing good practice in reporting	<ul style="list-style-type: none"> • Report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way
	<ul style="list-style-type: none"> • Ensure members and senior management own the results reported
	<ul style="list-style-type: none"> • Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
	<ul style="list-style-type: none"> • Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate
	<ul style="list-style-type: none"> • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
3. Assurance and effective accountability	<ul style="list-style-type: none"> • Ensure that recommendations for corrective action made by external audit are acted upon
	<ul style="list-style-type: none"> • Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon
	<ul style="list-style-type: none"> • Welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
	<ul style="list-style-type: none"> • Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
	<ul style="list-style-type: none"> • Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

APPENDIX B TO THE LOCAL CODE OF GOVERNANCE: NOLAN COMMITTEE'S PRINCIPLES OF PUBLIC LIFE

INTRODUCTION

The Council has set out the principles of good governance it applies in its Local Code of Governance which is consistent with the CIPFA / SOLACE Guidance Delivering Good Governance in Local Government Framework (2016).

However, members and employees are required to comply with the Nolan Committee's *Seven Principles of Public Life*, as set out below, to ensure that their own conduct complies with these overarching good governance principles.

SELFLESSNESS

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

APPENDIX C TO THE LOCAL CODE OF GOVERNANCE: HOW TO RUN A SUCCESSFUL ORGANISATION

WHAT DO YOU NEED TO DO?	MANAGEMENT PROCESS
Find out what your customers think about your service and any improvements they might want.	Consultation and Engagement
Produce a plan outlining how you are going to meet service users' needs.	Business Planning and Strategy
Identify what people you are going to need to deliver this plan.	
Calculate how much this is going to cost and understand how much money you have to spend.	Financial Planning, Reporting and Budgetary Control, including Value for Money
Identify how you are going to finance this	
Manage your assets to ensure they are fit for purpose and support your objectives.	Asset Management
Create the 'entity' and supporting constitution / policy structure	Committee Structure, Constitution, Policy Framework, Procedures, Ethical Governance and Codes of Conduct.
Define roles and responsibilities between executive and non-executive members and create supporting operational structures	
Understand where things could go wrong and cause you problems in delivering your services	Risk Management
Understand the obligation imposed on managers to give effect to such arrangements for the effective planning, organisation, control, monitoring and review of the preventive and protective measures.	Health & Safety
Understand and plan how your part of the business will continue to provide a service in difficult, non 'business as usual' circumstances	Business Continuity
Manage activities on a day-to-day basis	Performance Management
Ensure that the information you use to decide whether you are delivering what is expected is complete and accurate	Data Quality

**APPENDIX C TO THE LOCAL CODE OF GOVERNANCE:
HOW TO RUN A SUCCESSFUL ORGANISATION**

WHAT DO YOU NEED TO DO?	MANAGEMENT PROCESS
Ensure that you are not holding information about others you should not be, that it is secure and is not being used inappropriately	Information Governance
Ensure cost-effectiveness when buying your stock / assets / services.	Procurement
When undertaking one off projects, draw up a detailed plan to enable you to do this by the pre-determined date, within the allocated resources and to the required quality standards	Project Management
Ensure you deal with issues effectively when things go wrong.	Complaints
Make staff aware of the staff code of conduct (inc. training at induction); identify and manage potential conflicts of interest; investigate breaches.	Ethical governance, including Fraud & Corruption and Whistleblowing
Ensure that you are managing staff appropriately.	Workforce Management

AUDIT COMMITTEE**26th January 2023**

Subject: **Treasury Management and Investment Strategies 2023/24**

1. Purpose of Report

The Council must comply with the Code of Practice - Treasury Management in the Public Services, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this Code the Council is required to approve an annual Treasury Management and Investment Strategy for the forthcoming financial year.

2. Links to Council's priorities and objectives

Sound financial management is an Enabler to the Council's priorities contained with the Corporate Plan.

3. Recommendation

That following scrutiny, the Treasury Management and Investment Strategies for 2023/24 are approved for onward submission to Council on 15 February 2023 as part of the overall Policy Framework and Budget Setting Report.

Resolution required.

4. Treasury Management and Investment Strategies 2023/24

The strategies for 2023/24 are attached as an appendix to this report.

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 the relevant statutory and regulatory requirements.

(b) Financial implications

Setting Treasury Management and Investment Strategies are cornerstones for effective treasury management and essential for sound management of the Council's finances. They are an integral part of the Budget Framework. All implications arising from this strategy have been incorporated into the budget due to be approved by Council in February 2023.

(c) Human resource and equality implications

There are no implications arising from this report.

(d) Timescale for implementation and risk factors

The Code of Practice for Treasury Management states that the Council must receive a report on annual strategy and plan in advance of the year. The Council complies with this by submitting the strategies to the annual Council budget-setting meeting in February. Failure to do this effectively or in a timely manner, could adversely affect the security of investments and increase reputational risk for the Council.

Report Author: Nancy Kariwo, Accountant

STRATEGY / POLICY FRONT COVER

Name of Strategy / Policy: Treasury Management Strategy

Date last updated: February 2023

Date last revised and reasons for revision:

Previously revised February 2022. Current revision is because the Strategy has to be reviewed and approved by Council annually.

Links to Council Priorities:

Sound financial management is an Enabler of the priorities in the Council's Corporate Plan.

Links to Other Strategies and Policies

Financial Planning and Capital Strategy (incorporated in the *Policy Framework and Budget Setting for 2023/24*).

Action Plan in this document?

Not applicable.

Name of lead officer responsible for implementing the action plan:

Chris Mills is responsible for the Strategy and for ensuring adequate monitoring and reporting.

Name of lead Member and Member body responsible for monitoring implementation of the action plan:

Councillor S Mountford – Cabinet Member for Resources.
Audit Committee receive quarterly and annual reports.

Equality impact assessment undertaken? No

Sustainability appraisal undertaken? No

Policy register on S Drive updated? Yes



Castle Point Borough Council

Treasury Management Strategy for 2023/24

Produced by: Financial Services Manager.

Subject to Annual Review

Approved by:

- Audit Committee: February 2023
- Cabinet & Council: February 2023

12 Treasury Management Strategy

Definition of Treasury Management

- 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.”
- 2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the Code of Practice:

The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMP’s) setting out how the organisation will seek to achieve those policies and objectives, prescribing how it will manage and control those activities.
- Will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP’s.
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council’s policy statement and TMP’s and CIPFA’s Standard of Professional Practice on Treasury Management.
- Nominates Cabinet to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

Treasury Management Strategy for 2023/24

- 3 The Strategy has been formulated after considering the advice of the Council’s consultants, Link Treasury Services (Link). All activity envisaged by the Strategy will be in accordance with the Treasury Management Policy Statement.

Balanced budget requirement

- 4 It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. This means that the Council is required to ensure the affordability of existing and new projects, both revenue and capital, within the projected income of the Council for the foreseeable future.

Economic uncertainty, and interest rates

- 5 Economic uncertainty and a cost of living crisis currently exists in the UK caused by a wide range of factors including the war in Ukraine. As a result of these factors and the subsequent increases in the Bank of England base rate in an attempt to control inflation, the coming year is expected to be challenging for the economy. Any relevant impacts will be reported in the quarterly update reports.
- 6 The Council’s treasury management advisers Link Asset services forecast that the base rate will reach a peak of 4.5% in 2023/24. This is shown in table below:

Link Group Interest Rate View 06.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
1 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

- 7 The Council adheres to strict investment criteria. As it remains difficult to predict longer-term rates accurately, the interest rates used to forecast investment income for the Council's budget process remain prudent. The Council may also be restricted in where it can invest funds. Officers will continue to seek the best return possible whilst always complying with the Council's policies and procedures and without compromising security and liquidity.

Current debt position and requirements for 2023/24

- 8 A summary of external debt that is expected to be outstanding as at 31 March 2023 is as follows:

Table 12.1 External debt outstanding	
Source	Total at 31/03/23 £000's
Public Works Loan Board – General Fund	6,300
Public Works Loan Board – Housing Revenue Account	27,000
Total	33,300

- 9 The Council made early repayments of some of General Fund and HRA Loans in September 2022 to take advantage of discounts which were available, giving a net saving of just over £3.4m. The Council's General Fund borrowing now consists of a single fixed rate loan (in relation to the Knightswick) at interest rate of **1.08%** per annum. The Council's HRA borrowing consists of fixed rate loans at interest rates ranging from **2.31%** to **3.43%** per annum. If remaining loans are to be repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and the unexpired period at the time of repayment. Currently as interest rates and gilt yields are increased, premature repayment of all loans would incur a total discount of approximately **£820K** but this is not advised when taking into consideration the Council's liquidity requirements.
- 10 The proposed programme of capital expenditure due to be approved by Council in February 2023 is not currently anticipated to trigger a requirement for new borrowing in 2023/24. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.
- 11 Internal borrowing is the use of the Council's own temporary investments for capital expenditure and is when the Capital Financing Requirement (CFR) exceeds the level of external borrowing. This position is known as "under-borrowed". At the end of 2023/24 for the General Fund this is expected to be **£11.5m** due partly to capital expenditure on the Knightswick Shopping Centre and associated public realm works. As cash balances are relatively high and interest earned on investments is lower than the rate at which the Council can take out new loans, borrowing internally is an efficient use of resources that also lowers the overall cost of funding for the projects. By the end of 2023/24 the HRA will be over-borrowed by approximately **£134k**. The position fluctuates from year to year depending on various factors such as the level of capital expenditure, and a prudential indicator in the Capital Strategy ("Gross Debt and the Capital Financing Requirement") monitors and reports on this position.
- Borrowing Strategy**
- 12 The uncertainty over future interest rates increases the risk associated with treasury activity. As a result, the Council will take a fairly cautious approach to its Treasury Management Strategy.
- 13 If a need to borrow should arise, The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on identified risks and the prevailing interest

rates at the time. It is likely that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.

- 14 Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. Any new borrowing would result in additional annual interest charges to either the General Fund or Housing Revenue Account, as well as the need to set aside sums from those funds for future repayment of the principal amount borrowed. In effect, borrowing does not finance capital expenditure, instead it merely provides the cash to enable the expenditure to take place. Therefore, the financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast (MTFF) and the Housing Revenue Account on the HRA Business Plan, must be taken into careful consideration in all borrowing decisions. As shown within the MTFF and HRA Business Plan the General Fund has annual funding gaps to be closed, and the HRA also faces challenges, such as the lasting impact of changes in central government policies including imposed 4-year rent reductions, as detailed within previous HRA budget setting reports.
- 15 On 9 October 2019 the PWLB increased their margin over gilt yields by 100 basis points to 180 basis points on loans to local authorities, making borrowing from the Government more expensive. However, on 25 November 2020 the Government reversed this. The PWLB allows local authorities to register for a preferential “certainty rate” for borrowing, which is currently **0.20%** below the standard rate or **0.80%** above gilt rates. Registering for this preferential rate does not commit an authority to undertake any borrowing, it just allows it to access the preferential rate should the need arise. Although there are no current plans to borrow before 2024/25, the Council routinely registers for the preferential rate.
- 16 The weighted average maturity of the Council’s General Fund **£6.3m** debt is at **7** years. This has changed significantly due to the early repayments of three loans totalling **£5.25m** in September 2022 leaving one loan with repayments of **£0.9m** every year for the next 7 years, currently with no requirement to refinance.
- 17 The Housing Revenue Account debt of **£36.5m** taken out in March 2012 as part of the HRA self-financing changes is set to mature at different times between 2021/22 and 2035/36 with **£7m** repaid in 2021-22, **£2.5m** repaid early in September 2022. A borrowing cap of **£37.5m** was placed on the Council at the same time, which effectively left the ability to borrow a further **£1m** above the **£36.5m**. The autumn 2018 budget announced that the borrowing cap would be removed so that local authorities would be allowed to undertake additional borrowing to enable investment in building new homes. However, as stated above, any additional borrowing would still have to be affordable within the 30-year HRA Business Plan and be subject to a full assessment of the financial viability of any scheme.

Borrowing in advance of need

- 18 The Council has some flexibility to borrow funds in advance for use in future years. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints and where there is a clear business case for doing so. Furthermore, councils must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. They must also consider carefully whether they can demonstrate value for money in borrowing in advance of need and can ensure the security of such funds.
- 19 DLUHC guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Section 151 Officer does not currently anticipate any need to borrow in advance of need, but if circumstances change then borrowing in advance will be made within the constraints that:
 - It will be limited to no more than £3m of the expected increase in borrowing need (CFR) over the three-year planning period; and
 - The Council would not look to borrow more than 18 months in advance of need.

- 20 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. Any surplus funds arising from borrowing in advance of need will be invested in accordance with the Council's Investment Strategy.

Treasury management indicators

- 21 The Council is required to calculate several Treasury Management Indicators as part of the Treasury Management Code of Practice. The indicators are reported in the following paragraphs.

Borrowing maturity structure

- 22 The Prudential Code for Capital Finance in Local Authorities requires the Council to set upper and lower limits for the maturity structure of fixed rate borrowing. These limits are designed to help the Council minimise its exposure to large fixed rate sums falling due for refinancing. The proposed limits, expressed as percentages of total projected fixed rate borrowing, are as follows:

Table 12.2 Maturity structure of fixed rate borrowing				
Maturity	General Fund		Housing Revenue Account	
	Upper limit	Lower limit	Upper limit	Lower limit
	%	%	%	%
Within 1 year	50	0	50	0
Within 2 years	50	0	50	0
Within 5 years	60	0	60	0
Within 10 years	80	0	80	0
After 10 years	100	0	100	0

Borrowing – limits of fixed and variable rate exposure

- 23 The Prudential Code also requires the Council to set upper limits for fixed and variable interest rate exposure. These indicators identify the maximum limits for both fixed and variable interest rates based upon the Council's debt position net of investments. The proposed limits are as follows: -

Table 12.3 Upper limits of Fixed and Variable exposures						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Upper Limit - Fixed Rates	42	39	38	36	35	34
Upper Limit - Variable Rates	(14)	(24)	(22)	(20)	(18)	(16)

Borrowing - interest rate sensitivity

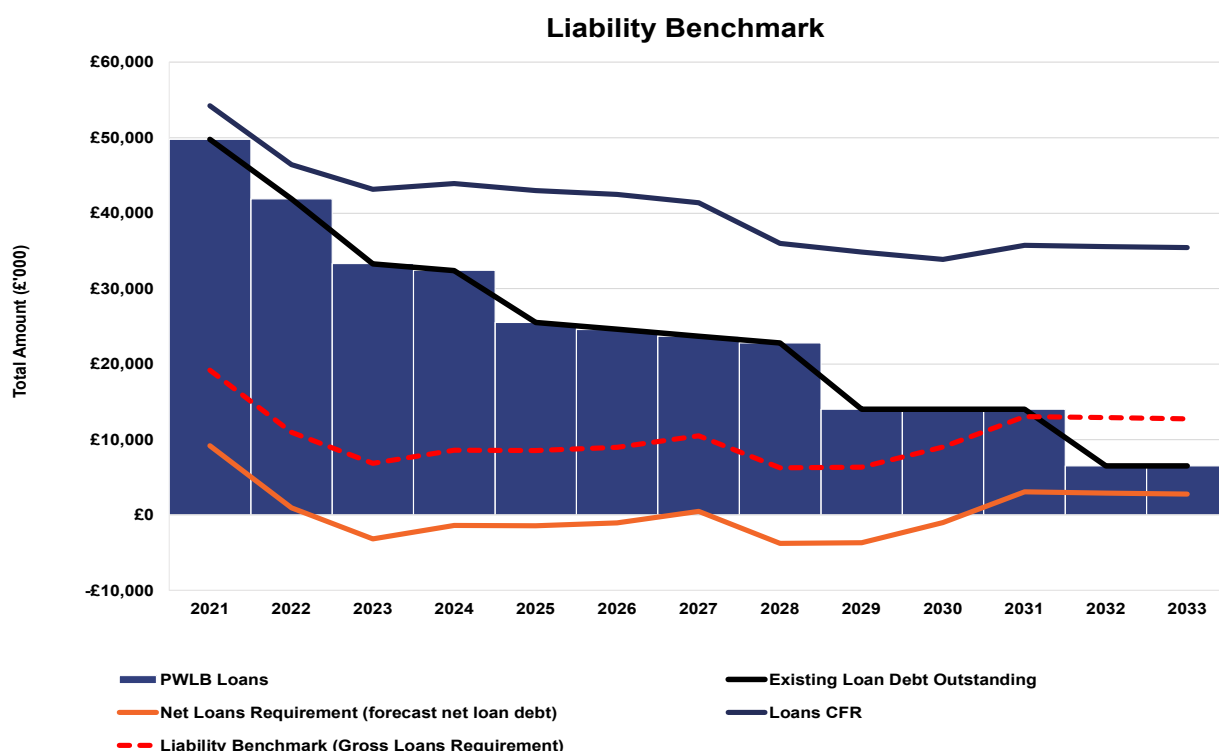
- 24 Any borrowing decisions will need to take account of any changes in interest rates. There are two possible scenarios: -
- a sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low.
 - a sharp fall in rates – if this is expected, any borrowing will be postponed (waiting for borrowings to become cheaper) and rescheduling from fixed to variable rate funding will be considered.

Liability Benchmark

- 25 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 from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

The Liability Benchmark establishes whether the Council is likely to be a long-term borrower or long-term investor in the future, to help shape its strategic focus and decision making. The benchmark is shown in the chart below which also shows that the Council does not need to externally borrow in the near future. The benchmark will be updated quarterly taking into account the actual in the year to date and the forecast for the remainder of the financial year as well as any updates made to future years.



Debt management objectives

26

A summary of the Council's debt management objectives for 2023/24 is therefore as follows: -

- to borrow, if necessary, in order to finance cash flows arising from capital expenditure in accordance with the Prudential Code;
- to reduce, if possible, the amount of long-term borrowing without incurring net losses for early redemption.
- to manage the debt maturity profile in order to avoid a high level of repayments in any one year.
- to borrow at the best interest rates achievable in relation to estimated future rates.
- to monitor and review the level of any variable interest rate loans, in order to take advantage of interest rate movements;
- if possible, to reschedule debt in order to take advantage of potential savings as interest rates change;
- to avoid as far as possible, excessive overdrawn bank balances by achieving a balanced daily cash position, unless market borrowing proves favourable by comparison;
- to ensure that overall borrowing is within the authorised limit for external debt and that this is monitored on a regular basis.

13 Investment Strategy

Investment guidance

- 1 This Council's investment policy has regard to the following:
 - DLUHC's Guidance on Local Government Investments ("Guidance")
 - CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code")
 - CIPFA Treasury Management Guidance Notes 2021

Investment principles

- 2 The primary policy objective of the Council's treasury management and investment activities is the security of funds, and to avoid exposing public funds to inappropriate and unquantified risk. The Council's investment priorities are:
 - Firstly – the **security** of capital (protecting the capital sum invested from loss) and
 - Secondly – the **liquidity** of its investments (keeping sufficient money readily available for expenditure when needed).

Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest **yield** consistent with those priorities. All investments will be in sterling.

- 3 Under the guidance investments made by local authorities are classified into two main categories:
 - Investments held for treasury management purposes
 - Other investments

All of the Council's temporary investments are held for treasury management purposes and the interest received contributes to the General Fund budget, as shown in the table below. Investments are not split between General Fund and Housing Revenue Account (HRA) but held as one portfolio with a proportion of the overall interest received applied to the HRA, calculated on the levels of HRA reserves and balances. For 2023/24 this amount is forecast to be **£60k**.

Table 13.1 General Fund Investment Income						
	2022/23	2023/24	2024/25	2025/2	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's	£000's
Forecast Investment Income	655	1,069	966	920	670	431

- 4 The guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

Financial investments

- 5 Under the guidance financial investments fall in to three categories:
 - **Specified investments** - high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Loans** – for example to local enterprises, charities etc. The Council has none.
 - **Non-specified investments** – all others, may be less secure.

Specified investment instruments identified for use in the financial year are listed in table 13.2. Non-specified Investments are any other type of investment, i.e. not defined as specified above, are listed in tables 13.3 and 13.4.

Non-financial investments

- 6 Non-financial investments are assets an organisation holds primarily or partially to generate a profit, essentially for commercial activities. The Council does not currently hold non-financial investments, but may consider doing so, if they support the priorities of the Council as detailed in the Corporate Plan, after taking expert external advice and a thorough appraisal by officers, scrutiny by the appropriate committee and approval by Council. The Council would have to carefully assess whether such assets retain sufficient value to provide security of investment, and if they do not, the Strategy must provide details of the mitigating actions taken to protect the capital.

Liquidity

- 7 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2023/24 to range between **£29m** and **£44m**.

Risk assessment and risk appetite

- 8 As the Council's primary policy objective of treasury management is to avoid exposing public funds to inappropriate and unquantified risk, the Council has a very cautious approach to investing, reflected in the internal guidance which ensures the following:
- 1 a very high average credit weighting for the portfolio, typically AA
 - 2 a diversified portfolio
 - 3 a weighted average maturity of approximately 250 days
 - 4 strict stepped limits on lower-rated, but still high grade (A-rated) investments of up to **£3m**.
 - 5 Officers monitor market information including financial updates from the Council's treasury adviser on a daily and weekly basis, to keep as well-informed as possible to make the best decisions. The internal guidance can be amended by the S151 Officer, with advice from treasury officers, at very short notice. This is for flexibility and to adapt to changing circumstances in the current time of economic uncertainty, firstly to protect the security of the Council's temporary investments and secondly to achieve liquidity and yield.

Credit ratings

- 9 Credit quality of counterparties (issuers and issues) and investment schemes will be determined mainly by reference to credit ratings published by Fitch, Moody's and Standard & Poors. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits. Tables 13.2 to 13.4 also set out the Council's minimum credit ratings that it considers appropriate for each category of investment.
- 10 The sovereign rating for the UK is AA. All three agencies have the UK on negative outlook. Investments are placed with institutions with high long-term credit ratings (minimum A-) or in money market funds with the highest possible rating (AAA or equivalent). The Council has a policy of diversification to prevent over-reliance on a small number of counterparties and Money Market Funds are used to provide a broad spread of underlying holdings.

Monitoring of credit ratings

- 11 All credit ratings will be monitored on a regular basis, including when investments are made. The Council's treasury adviser, Link Treasury Services, also alert the Council to changes in ratings as they occur.
- 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.
 - If a counterparty/investment scheme is upgraded so that it fulfils the Council's criteria, the s151 Officer will have the discretion to include it on the lending list.

Amendments to the 2023/24 Investment Strategy

- 12 The portfolio of investments maintained by the Council is very cautious and the yield is below that earned by some other councils. It is proposed to diversify the investment portfolio to include international institutions and not only limit the Council to UK institutions. Paragraph 13 describes the geographical considerations.

Table 13.2 Specified Investments for the Financial Year 2023/24

Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
Treasury Bills issued by the UK Government (currently maximum 6-month duration)	No limit	The Debt Management Office is an agency of the UK Government	364 days
Term Deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	364 days
Term Deposits with institutions	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Money Market Funds (i.e. a collective investment scheme as defined in SI 2004 No 534) CNAV, LVNAV and VNAV These funds do not have a maturity date	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
Current accounts, notice accounts or term deposits with credit-rated deposit takers (banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Certificates of Deposit issued by institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Covered bonds (maximum 364-day period includes borrower extension option)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Reverse repurchase agreements "repos" (a form of secured lending with enhanced security)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

Table 13.3 - Non-specified Investments for the financial year 2023/24

Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 25% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	2 years
Current accounts, notice accounts or term deposits with credit-rated deposit takers (banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	2 years
Property Funds	The lesser of £4m or 25% of total investments	Unrated	n/a
Bond funds	The lesser of £4m or 25% of total investments	Unrated	n/a
Multi-Asset funds	The lesser of £4m or 25% of total investments	Unrated	n/a
Equity Funds	The lesser of £4m or 25% of total investments	Unrated	n/a

- All Specified Investments listed above must be sterling denominated.
- All investments are managed in-house.
- No shares or loan capital is held by the Council
- None of the investments are classified as capital expenditure

Country, group and sector limits

- 13 The Council selects counterparties according to credit quality as well as the additional information in paragraph 16 below. Group and sector limits do not form part of the formal Investment Strategy, but are used within the temporary, stricter investment guidance described in paragraph 18.

Whilst there are no specific limitations on which countries the Council can or will invest in, consideration will be given to Environmental, Social and Governance (ESG) issues. For example, the Council will avoid investing in institutions based in or strongly linked to countries with questionable human rights practices. As always, any investments made will be with institutions meeting the required credit ratings and will always be in GBP.

Money Market Funds

- 14 As has been the practice for several years, the Council continues to place a high proportion of its investments in Money Market Funds. By March 2019 the valuation method for the Council's Money Market Funds changed from constant net asset value to low volatility net asset value. Constant net asset value funds aim to preserve a stable value (such as £1) per share at which investors either subscribe or redeem, but under money market fund regulations they are being replaced with low volatility net assets funds where the underlying investments may have to be priced at market value, so potentially investors could get back slightly more or less than the £1 invested, although this is very unlikely with AAA-rated funds. The Council has assessed the implications, but it is not expected that there will be any significant impact on the value of investments.

- 15 **Markets in Financial Instruments Directive (MiFID)**
From 3rd January 2018 changes in legislation required the Council to opt up to professional status (rather than the default status of a retail client) with several of its counterparties to continue using a range of secure and diversified investments and not be limited solely to simple bank deposits. Organisations classified as professional have a good understanding of financial products but do not have the same protection as retail clients or ordinary consumers.
- 16 **Use of additional information other than credit ratings**
Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.
- 17 **Bail-in legislation**
To avoid a Government bailout (i.e. where Governments inject monetary support into institutions to keep them solvent) that occurred during the financial crisis, bail-in legislation is now fully implemented in the UK. In future large investors or creditors may contribute to the rescue of failing banks rather than taxpayers, as some or all their deposits are converted into equity which could be worth less than the original investment. Consequently, the potential risk of depositing with banks may have increased, however this is reflected in the credit ratings.
- 18 **Internal stricter guidance**
The Council continues to use temporary stricter internal investment guidance than that laid out in the Investment Strategy, such as lower counterparty limits. These will remain in place for as long as they are required and are reviewed regularly, considering information and advice supplied by Link. Changes to the internal guidance are approved by the Strategic Director (Resources).
- 19 **Use of derivative instruments**
Local authorities can use any hedging tools such as derivatives, but only for the management of risk and the prudent management of financial affairs. When an authority intends to use derivative instruments the policy for their use must be clearly detailed in the annual Treasury Management Strategy. The Council does not currently use derivatives, but should this change then the Treasury Management Strategy will be amended prior to their use. The Council will seek proper advice when entering into arrangements to use such products to ensure that it fully understands those products.
- 20 **Investments defined as capital expenditure**
The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as Non-specified Investments. As already stated, the Council does not currently intend to invest in Non-specified Investments.
- 21 Investments in Money Market Funds are not treated as capital expenditure.
- 22 A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure, should it occur.
- 23 **Provisions for credit-related losses**
If any of the Council's investments appeared at risk of permanent loss due to default (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Investment strategy to be followed in-house

- 24 The Council's in-house managed funds are mainly cash-flow derived. It is expected that the majority of the Council's funds will be invested for periods of less than 365 days although this will be reduced should it be deemed appropriate. There are core funds of approximately **£10m** that it is very unlikely will be required for cash flow purposes for another 2 to 5 years. The recent changes to the treasury strategy will allow some or all of these funds to be invested longer-term, at higher rates, to provide additional investment income for the Council.

Investment treasury indicator and limit

- 25 These limits, relating to funds invested for greater than 365 days and shown in the table below, are set with regard to the Council's liquidity requirements. They are designed to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£15m	£15m	£15m
Current investments as at 31.03.2023 in excess of 1 year maturing in each year	£0m	£0m	£0m

The Council's banking arrangements

- 26 The Council's banking operations are with Lloyds Bank PLC with the current contract expiring on 31st March 2025.

Risk benchmarking

- 27 The most recent version of the CIPFA Treasury Management Code recommended the use of security and liquidity benchmarks alongside existing yield benchmarks used to assess investment performance.

- 28 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the quarterly or Annual Report. Use of these benchmarks will be reviewed and amended or added to if necessary.

- 29 **Security** – The Council's maximum-security risk benchmark for the current portfolio is:
- A credit-rating score of **6.4** for the overall investment portfolio. Each investment is given a score according to long-term credit rating (e.g. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.

- 30 **Liquidity** – In respect of this area the Council seeks to maintain:
- The bank overdraft facility was reviewed for the new banking contract that started in April 2020 and it was decided it was not cost effective for the Council to have one permanently in place
 - Liquid short-term deposits of at least **£1m** available with a day's notice
 - Weighted Average Life benchmark is expected anything up to 270 days, with a maximum of 1 year

- 31 **Yield** – Local measures of yield benchmarks are:
- Investments – returns above SONIA (Sterling Overnight Index Average), rate. The Council previously used LIBID but this measure has been discontinued by the Bank of England in favour of SONIA.

Treasury management adviser

- 32 Link Treasury Services, the largest provider of capital financing and treasury advisory services to public sector organisations, is the Council's current treasury adviser. The company provides a range of services through a formal contract, which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit ratings/market information service provided by the three main credit rating agencies; and data from international money markets. The current contract expires in 2023 and a procurement exercise will be undertaken to ensure a treasury management adviser is in place at the end of the current contract.
- 33 Whilst Link provide support to the internal treasury function the final decision on all treasury matters remains with the Council.

Member and officer training and experience

- 34 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Link both to maintain and improve their knowledge and expertise. All treasury staff have accountancy or treasury qualifications and many years' experience in local authority treasury across the team.

Investment activity reporting and publication

- 35 Officers prepare a quarterly monitoring report on investment activity and an end of year report as part of its Annual Treasury Report after the close of each financial year. This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required. The Investment Strategy is published annually on the Council's website.