



AUDIT COMMITTEE

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To: Councillors Baines, Boldrin, S. Bradshaw, A. Gray, Hadji-Nikolaou, Parsons (Vice-Chair), Snartt and Ms Nellist (Chair) (For attention)

All other members of the Council
(For information)

You are requested to attend the meeting of the Audit Committee to be held in Committee Room 1, at the Council Offices, Southfields, Loughborough on Tuesday, 8th November 2022 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

31st October 2022

AGENDA

1. APOLOGIES
2. MINUTES FROM THE PREVIOUS MEETING 3 - 13

The Committee is asked to confirm as a correct record the minutes of the meeting of the Committee held on 12th July 2022.

3. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

For information, disclosable pecuniary interests and registrable interests relate to entries that are included, or should be included, on a councillor's register of interests. Non-registrable interests relate to any other matters.
4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions were submitted.
5. COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 14 - 16

A report of the Director of Finance, Governance and Contracts.
6. TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE SIX MONTHS APRIL-SEPTEMBER 2022 17 - 34

A report of the Head of Finance.
7. INTERNAL AUDIT PROGRESS REPORT Q2 2022-23 35 - 59

A report of the Director of Finance, Governance and Contracts.
8. RISK MANAGEMENT (RISK REGISTER) UPDATE 60 - 79

A report of the Head of Transformation, Strategy and Performance.
9. WORK PROGRAMME 80 - 82

A report of the Director of Finance, Governance and Contracts.

AUDIT COMMITTEE 12TH JULY 2022

PRESENT: The Chair (Jane Nellist)

Councillors Baines, Boldrin, A. Gray, Snartt and Parton

Strategic Director - Environmental and Corporate Services
Strategic Director - Commercial Development, Assets and Leisure
Head of Strategic Support
Head of Strategic and Private Sector Housing
Audit Manager
Organisational Development Manager
Democratic Support Officer (EB)

APOLOGIES: Councillor S. Bradshaw and Hadji-Nikolaou

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

1. APPOINTMENT OF VICE-CHAIR 2022-23

Councillor Parsons was nominated to be the Audit Committee Vice-Chair for 2022/23. The proposal was put to the vote by the committee.

RESOLVED that Councillor Parsons be appointed Vice-Chair of the Committee for the Council year 2022/23.

2. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 4th May 2022 were confirmed as a correct record and signed.

3. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

No disclosures were made.

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

5. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted providing the Committee with a summary of the Council's use of RIPA powers. (Item 6 on the agenda filed with these minutes).

RESOLVED that the Committee note that there has been no use of RIPA powers by the Council for the period from 1 April 2022 to 30 June 2022.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

6. 2021/22 INTERNAL AUDIT ANNUAL REPORT

A report of the Head of Strategic Support was submitted presenting the Internal Audit annual report, one of the sources of evidence used to inform the production of the Annual Governance Statement. (Item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting remotely to assist with consideration of the item.

The Committee were informed that regarding the opinion on the effectiveness of the control environment, reasonable assurance could be given that there was good governance, risk management, control and planning. Whilst there were some areas for consideration, the opinion was positive overall.

The Committee were advised in response to questions that:

- Some recommendations were overdue since they had not been able to be implemented within the time limit.
- 'Reasonable' was a good level of assurance in the wording advised by the Chartered Institute of Public Finance and Accountancy (CIPFA), the only level higher was 'Substantial'. To reach a Substantial level of assurance all reports needed to be rated 'Substantial' and the likelihood of this was minimal. It was also noted that the system had moved from a three-tier rating to a four-tier rating.

RESOLVED that the report be noted.

Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration.

7. INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Strategic Support was submitted summarising the progress against the 2022/23 Audit Plan, outlining key findings from final reports and any outstanding recommendations. (Item 8 on the agenda filed with these Minutes).

The Audit Manager, Strategic Director for Commercial Development, Assets and Leisure and the Head of Strategic and Private Sector Housing attended the meeting to assist with the consideration of this item.

The Committee were informed that:

- Good progress had been made in the first Quarter of the financial year.
- The final three reports concluded the 2021-22 plan.
- There was limited assurance regarding choice-based lettings.
- The 2022-23 plan was progressing well.
- The reports for the first Quarter of the financial year were in-progress.
- Benefit subsidy work was under way.

The Committee were advised in response to questions that:

- The Senior Leadership Team (SLT) and Heads of Service were consulted during the annual audit planning process, a risk based plan was then produced and presented to Audit Committee in February 2022 as a draft providing them with the opportunity to comment.
- The production of the report did not always fall at the end of a quarter and therefore didn't always reflect the true position at the time of the Committee meeting.
- The Creditors audit recommendation regarding authorisation levels had been discussed with the Head of Financial Services and is to be implemented as recommended but an extension had been given due to the complexity.
- Regarding Asbestos Management (a legislative requirement), the information was in place to a degree, however it was not all on the same system. This was a high priority and whilst the risk had been reduced due to the Council having the necessary information, the information was not in the desired format.
- SLT had discussed a timeframe for Asset Management Budget centralisation. At this point income was not centralised in the Council budget but a review of this matter was in progress
- Risk assessments regarding asset management were ongoing and matrices had been analysed to check for major movement. It was acknowledged that this should have been included in the report.
- Regarding Commercial Lettings, many leases were in force, however, many of them did not have a rent-review mechanism which was necessary to legally review rents. It was projected that this mechanism would be in place by the third quarter of the financial year. With regard to the valuation of units, the lack of revenue mechanisms meant that the tenant needed to be in agreement and as such the process would take time. In terms of service costs calculation, historic leases were written in such a way that a flat percentage of the rent was charged

and there was no mechanism for review and this could not be changed without express agreement from the tenant.

- The comprehensive single source of data to track and record assets was in development. Debtors had been managed and action had been taken on non-payments of rent.
- Regarding Choice-based lettings, the allocations had three bands and could move between them. The demand on services during the Covid-19 restrictions had meant that people had remained within bands who might otherwise have moved up. It was now hoped that more people would be successful, however a lack of supply meant that this may not happen within the desired timeframe. Monitoring was being restored and a team leader was able to assist following a lack of capacity due to resource issues.
- The engagement plan for the Capital Programmes Audit for Quarter 2 that considered how programmes became part of the Capital Programme had not been fully written up and agreed.
- With regard to the Creditor Audit, it was necessary to consider other mitigating controls that were in place. This was the reason it had a rating of Reasonable rather than Limited.
- It was planned for controls to be put in place to limit instances where Purchase Orders were authorised by the same officer who had raised them as this was not good practice.
- With regard to concern raised that the Head of Financial service could bypass the normal authorisation by the budget holder, the Committee were assured that they would not have the access levels necessary.
- Whilst there had been a focus on completing the 2021-22 plan during quarter 1, all 2022/23 quarter 1 audits had started and time had been spent in planning other audits. Audits were not classed as complete until a draft report had been issued. Good progress had been made on the Quarter 1 plan for 2022-23. 80% of the Benefit Subsidy testing was complete and as such there was no cause for concern.
- Resource issues due to a lack of staff were authority-wide. However, there was a need to find a balance between taking note of financial challenges and having appropriate staffing. Changes were being made to address this.
- The action that related to a mandatory field could not be implemented as it was recognised that to make it so would have an impact on the assessment of the housing register application. This was a training need for staff.
- Regarding conflicts of interest on the Choice Based Lettings Scheme, the Committee were advised that if there was a case where the officer processing the application knew the resident, the officer would notify their manager and would not be involved in the application process.
- Overdue recommendations regarding fleet management had been seen and were scheduled for discussion at CLT. Policy and Procedures were in place and were awaiting sign-off (post CLT meeting).
- The issues where there had been no response received would be addressed.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

8. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director for Environment and Corporate Services was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2022/23. (Item 9 on the agenda filed with these minutes).

The Organisational Development Manager attended the meeting to assist with consideration of the item.

The Committee were informed that:

- The last update had been on 4th May 2022. That day there had also been a Risk Management Group where SLT and CLT had made amendments to the Risk Register. There had been no changes to the ratings, however, actions 3, 7 and 10 had been updated, to include the fact that the Council were recruiting for a GDPR Officer and that the forthcoming Elections Bill and Environment Bill which would have an impact on the Council.
- Risk Management Software (Pentana) had been purchased which was being rolled out across the Council. This would provide a data storage system and aid with the production of reports. It would also produce an audit trail which would show where risks had changed and allow them to be tracked.

The Committee were advised in response to questions that:

- The roll-out of the Pentana software was nearing completion. Links had been circulated to risk-management pages, Heads of Services had been met with as part of the process with a view to loading up a service delivery plan as well as a corporate delivery plan.
- The risks identified were manually inputted into the system, along with the potential consequences of a risk.
- It was unlikely that the level of risk in the Strategic Risk Register would change significantly over a short period of time as there were actions that could be taken to mitigate increased risk. There would be a greater level of movement with Operational Risks, but less so with Strategic Risks.
- The monitoring of changes in treatment and controls were possible. They were monitored through risk management groups and changes in treatment and controls could be delivered in an action plan, potentially through Pentana.
- The Council linked with Business Continuity Planning at Leicestershire County Council and followed their lead on the issue. Additionally, the need to re-consider Business Continuity plans following the Covid-19 pandemic was recognised. Central Government had been considering making requirements more substantial. The issue had been discussed at a Local Resilience Partnership and there was an expectation that the districts within Leicestershire would standardise their plans subject to agreement between their respective

- Chief Executives. If the districts supported this proposal then a shared Business Continuity Officer would be recruited. Councillor Bains would be considered for Councillor support on the issue.
- Whilst not all Local Authorities used the same risk matrix, where it could be compared it appeared as though the Council was in a similar position to other Local Authorities.
 - A Data Protection Officer had been appointed but had not yet started. They would be starting the role imminently.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing.

The Organisational Development Manager left the meeting following the conclusion of this item.

9. ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2021/22

A report of the Head of Strategic Support was submitted to the committee to consider the amounts claimed by members of the Borough Council and co-opted members under the Council's Members' Allowances Scheme for 2021/2022 (item 10 on the agenda filed with these minutes).

The Committee were informed that this was an annual information item that would be published on the Council's website as well as in a local paper.

No concern was raised by the Committee.

RESOLVED

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted; and
2. that any issues arising from the report be referred to the Head of Strategic Support for further investigation.

Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls.

2. To ensure that the issues could be investigated and a response given, and if necessary recommendations made for addressing any unresolved issues.

10. ANNUAL UPDATE RE THE ANTI-FRAUD & CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY

A report of the Head of Strategic Support was submitted a report providing the committee with information on the operation of the Anti-Fraud & Corruption Strategy and Whistle-blowing Policy during 2021/22. (Item 11 on the agenda filed with these minutes).

The Committee were informed that

- The two policies would need reviewing following the SLT review due to changes in Officer's job titles. This would happen in September 2022.
- There had been no internal fraud directly affecting the Council.
- There had been some fraud and attempted fraud in regard to Covid Business Grants. Eight of these cases had been prevented before they could come to fruition. Three cases had been identified in post-payment checks.

The Committee were advised in response to questions that:

- Some of the money lost in Covid Business Grants fraud had been recovered, however this was Central Government money rather than Council money.
- Part of staff induction at the Council was to learn about the whistleblowing policy and staff were aware of the option to whistleblow, however, cases were few and far between.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept up to date on the operation of the policies, and instances where they have been applied.

The Strategic Director for Environmental and Corporate Services left the meeting for the duration of this item and returned following its conclusion.

11. ENVIRONMENTAL AUDIT

A report of the Strategic Director of Commercial Development, Assets and Leisure was submitted updating the Committee on the outcome of environmental audits undertaken for April 2022. (Item 12 on the agenda filed with these minutes).

The Committee were informed that whilst 2021 had been a challenging year, 2022 had been an improvement. A plan was in place to address non-conformance issues. This was largely due to staff changes at the Town Hall which would be addressed moving forward.

The Committee were advised in response to a question that it was acknowledged that there was concern that none of the 15 issues identified had been completed, however it was thought that these would be completed within the financial year. A plan was in place to address these issues and the Sustainability Development Officer was confident that the recommendations would be met. Issues had been identified and as such could be completed.

Concern was raised by the Committee over the following issues:

- The lack of a waste transfer note indicated that a duty of care had not been followed. The recommended action was to contact the supplier to obtain transfer note, however this needed to be followed up.
- The recommendations appeared to be confusing in terms of the language used. It was suggested by the Chair that Internal Audit could give advice on constructing reports and that reports be proof-read.
- The energy certificate displayed in reception had expired in September 2021.
- The issue of incorrect disposal of waste in the breakout area and the action for a supplier to be contacted needed to be followed up. Concern was raised that there had been no update on the issue since May.

The Strategic Director of Commercial Development, Assets and Leisure proposed that he take the feedback to the Sustainability Development Officer and an update be circulated outside of the meeting within one month.

RESOLVED

1. That the outcome of the report be noted, including the identified actions for any mitigation required.
2. That an update on issues and actions be circulated to the Committee within one month.

Reason

1. To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.
2. To dispel confusion around elements of the report and to address the Concerns raised by the Committee.

12. TREASURY OUTTURN REPORT 2021/22

A report of the Head of Financial Services was submitted reporting to the Committee the Council's Treasury Management, Investment Management and Prudential Code Outturns for the year 2021/22. (Item 13 on the agenda filed with these minutes).

The Strategic Director for Environmental and Corporate Services attended the meeting to assist with the discussion of this item.

It was noted that there had been a typographical error on the agenda front sheet. The item should have read: Treasury Outturn Report 2021/22.

The Committee were informed that:

- The figure for unfinanced projects essentially represented the amount in the Capital Plan for regeneration and forward funding of the Enterprise Zone
- The Outturn for the unfinanced items was zero for the last financial year.
- With regard to the Capital Plan with regard to the Housing Revenue Account (HRA) had not been completed to the level expected. Partly due to the inability to get into houses during the Covid-19 restrictions and partly due to the Decent Homes Contract changing from a situation whereby one contractor had been employed to having different contractors for different aspects. This meant that there was a difference between the budget and the outturn. It was hoped that the situation would improve.
- With regard to the Capital Finance Requirement (CFR), £81 million had been borrowed. £2million of this had related to the General Fund borrowed in 1984 and more recently £79 million had been borrowed for the HRA when the Council went out of the Housing Subsidy Regime. In theory the borrowing requirement was £106 million. The difference reflected the internal borrowing the Council were able to finance around the commercial property portfolio. The Council's cash-flow meant that it did not need to externally borrow. The limit for borrowing was set each year in the Capital Strategy, the next would come in February 2023.
- Financial cost as a proportion of net revenue scheme was negative. This was because interest receivable was higher than interest payable.
- At the end of the last financial year the Council had £64.5 million in Investments/Cash Held. Part of the reason for the increase was due to grant money from the central government to cover business rate relief.
- The Sterling Overnight Index Average (SONIA) was the new way of benchmarking investments.
- Under IFRS Standard 9 – there was a requirement to account for any losses in investments, including those associated with property investment. Investments were currently valued above purchase price so this was not yet an issue. A Commercial Property Reserve also existed to cover any potential losses.
- The Capital Strategy for 2023-34 would come to the Audit Committee.
- Treasury Management Training would be provided to members of the Committee.

The Committee were advised in response to questions that:

- The £79 million borrowing on the HRA had nothing to do with investment in stock. It was money the Council needed to pay central government to exit the Housing Subsidy Allowance in order to assume property of the stock from central government.
- The HRA Capital Programme was currently financed through revenue contributions and no borrowing was planned. Under the 'Charnwood Standard' bathrooms and kitchens in Council housing needed to be replaced every 5-6 years. Sometimes it had been longer between replacements which had

- created a surplus in the HRA. The Business Plan for the HRA had set out what needed to be done over the next year with regard to kitchens and bathrooms.
- The HRA Capital underspend was reflected in the Capital Financing Fund. This had been separated out from the HRA reserve. The Capital Finance Reserve could be used to pay down debt, but could also be used to invest in stock if required.
 - With regard to Auditing the Capital Programme, a discussion between relevant officers would be needed as to what would be included in the Audit. The concerns of the Committee would be taken on board.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

13. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme. (Item 14 on the agenda filed with these minutes).

RESOLVED that the Committee proceeds on the basis of its work programme, which incorporates all decisions made at this meeting.

14. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

15. INVESTMENT PERFORMANCE REPORT - Q1 (APRIL TO JUNE) 2022/23

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure. (Exempt item 16 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 15E. 2022/23).

NOTES:

1. No reference may be made to these minutes at the next meeting of Full Council unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.

2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.
3. The Strategic Director for Commercial Development, Assets and Leisure, Information Technology Delivery Manager, Councillor Parsons and the Audit Manager joined the meeting remotely.

AUDIT COMMITTEE – 8th NOVEMBER 2022

Report of the Director of Finance, Governance and Contracts

Part A

ITEM 5 COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

Purpose of Report

The purpose of this report is to provide the Committee with a summary of the Council's use of RIPA powers.

Recommendation

The Committee notes that there has been no use of RIPA powers by the Council for the period from 1 July 2022 to 30 September 2022.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

Policy Justification and Previous Decisions

The use of RIPA to conduct covert surveillance in appropriate instances supports many of the Council's enforcement and anti-fraud policies. The Home Office Code of Practice, which relevant bodies are obliged to follow when using RIPA, requires that elected Members should consider reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the policy and the policy remains fit for purpose.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None.

Risk Management

There are no risks associated with this decision.

Background Papers:

None

Officer to contact:

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Part B

Background

1. RIPA provides for the authorisation of covert surveillance by the Council where that surveillance is likely to result in the obtaining of private information about a person.
2. Surveillance includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. Surveillance is covert if it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place.
3. The Council only has the power to authorise covert surveillance under RIPA for the purpose of preventing or detecting crime, or of preventing disorder. Since 2012, RIPA applications are required to be approved by a Justice of the Peace (JP) at the Magistrates' Court in addition to the existing application and authorisation process. The amendments in the Protection of Freedoms Act 2012 mean that local authority authorisations and notices under RIPA for the use of particular covert investigation techniques can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP).
4. At its meeting on 10th February 2022 Cabinet agreed to resolve that the Audit Committee continue to assume responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose. This Committee will therefore continue to receive a regular report on the Council's use of RIPA powers.
5. During the period from 1st July 2022 to the 30th September 2022 the Council made no use of RIPA powers.
6. The Committee has the option to report to Cabinet any concerns arising from RIPA monitoring reports that may indicate that the use of RIPA is not consistent with the Council's RIPA Policy or that the Policy may not be fit for purpose.

AUDIT COMMITTEE – 8TH NOVEMBER 2022

Report of the Head of Finance Lead Member: Councillor Tom Barkley

Part A

ITEM 6 TREASURY MANAGEMENT UPDATE – MID-YEAR REVIEW FOR THE 6 MONTHS APRIL-SEPTEMBER 2022

Purpose of Report

This report reviews the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2022/23.

Recommendation

That it be recommended to Council to note this mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as set out in Part B.

Reason

To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totality of the Council's financial position, and that borrowing and Investment is only carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

Policy Justification and Previous Decisions

The Capital Strategy including the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy, Prudential & Treasury Indicators must be approved by Council each year and reviewed half yearly. This review is set out in the attached report as Part B. The Strategy for the year was approved by Council on 10th February 2022.

Implementation Timetable including Future Decisions and Scrutiny

This report will be presented to Cabinet on 17th November 2022 for onward recommendation to the full Council meeting of 23rd January 2023.

The report is available for scrutiny by the Scrutiny Commission at the regular meeting scheduled for 14th November 2022 if required.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management

There are no direct risks arising from the recommendation in this report. Risks associated with the Treasury Policy, etc. and in general are set out within Part B.

Key Decision: No

Background Papers: None

Officer to contact: Lesley Tansey
Head of Finance
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lesley.tansey@charnwood.gov.uk

Part B

1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.

an overview of how the associated risk is managed.

the implications for future financial sustainability.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

1.3 Regulatory framework

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement
 - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

1. An economic update for the first part of the 2022/23 financial year;
2. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
3. The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
4. A review of the Council's investment portfolio for 2022/23;
5. A review of the Council's borrowing strategy for 2022/23;
6. A review of any debt rescheduling undertaken during 2022/23;
7. A review of compliance with Treasury and Prudential Limits for 2022/23.

2. Economic and Interest Rate Scenario

2.1 Economics update

It may be noted that this report was drafted in a period where high levels of volatility were being experienced in the financial markets, and projections set out in the report may become rapidly outdated. Day to day operational decisions however, do take into account the latest information available.

- The second quarter of 2022/23 saw:
 - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
 - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020.

The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of

commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

2.2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts

below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

3. Treasury Management Strategy Statement and Annual Investment Strategy

3.1 Update

The Treasury Management Strategy Statement, (TMSS), for 2022/23 was approved by this Council on 21st February 2022. There are no changes in this report to the TMSS since 21st February 2022 Council in the light of economic and operational movements during the year.

To note the current Operational Boundary borrowing limits and the Authorised limits are part of the prudential guidelines and these remain as they were previously reported.

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

<i>Operational boundary</i>	<i>2022/23 Estimate £'000</i>	<i>2023/24 Estimate £'000</i>	<i>2024/25 Estimate £'000</i>
Debt	108,090	108,090	108,090
Non-financial investments	28,000	28,000	28,000
Total	136,090	136,090	136,090

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<i>Authorised limit</i>	<i>2022/23 Estimate £'000</i>	<i>2023/24 Estimate £'000</i>	<i>2024/25 Estimate £'000</i>
Debt	130,000	130,000	130,000
Non-financial investments	28,000	28,000	28,000
Total	148,000	158,000	158,000

4. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	Full Year Budget £'000	Actual Spend 31/9/2022 £'000	Variance 31/9/2022 £'000
Bedford Square	1,868	1,201	667
Enterprise Zone	13,000	0	13,000
Regeneration Scheme	15,000	0	15,000
Town Deal Schemes	2,970	0	2,970
Shepshed Public Realm	1,065	13	1,052
Carbon Neutral	1,095	0	1,095
DFG Grant	2,496	91	2,405
Other General Fund schemes	4,051	629	3,422
General Fund Total	41,546	1,935	39,611
HRA	12,034	769	11,265
Total Capital Expenditure	53,580	2,704	50,876

The Actual Capital spend is slow for the first half of the year, with an underspend on General Fund £39.6m of which £28m relates to provisional Regeneration and Enterprise Zone Schemes should an opportunity arise in this year and the next 2 years. A large amount of HRA new contracts commence September 2022. Capital monitoring is reported to Finance and Performance Scrutiny each July, October, January and an outturn report each year.

4.2 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure Finance By:-	£'000
S106 Funding	1,059
Other External Funding	7,520
RCCO	5
Capital Receipts	4,714
External Borrowing	28,000
Reinvestment Reserve	33
Capital Plan Reserve	214
Total GF Funding	41,546
HRA S106 Funding	1
HRA Financing Fund/MRR	10,862
HRA Capital Receipts	1,171
Total HRA Funding	12,034
Over Total Funding	53,580

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Capital Financing Requirement	2021/22 Actual £'000	2022/23 Original Budget £'000	2023/24 Original Budget £'000	2024/25 Original Budget £'000
CFR - (Fleet-Less MRP)	2,086	1,788	1,490	1,192
CFR – (Commercial Activities Less MRP)	22,716	22,422	22,119	21,806
CFR – (Regeneration Less MRP)	0	15,000	14,810	14,614
CFR - (Enterprise Zone - No MRP)	0	13,000	13,000	13,000
CFR – (HRA No MRP)	81,820	81,820	81,820	81,820
Total CFR	106,622	134,030	133,239	132,432
Movement in CFR represented by:		(27,408)	791	807
Net financing need for the year (above)	0	28,000	0	0
Less MRP charge	(583)	(592)	(791)	(807)
Movement in CFR	(583)	27,408	(791)	(807)

The current MRP policy is that a full years MRP will be made in the year after capital expenditure has incurred and when the assets are fully operational. MRP charged £583k for 2021/22 based on the assets purchased in 2020/21, annual MRP charges will be made based on the table above.

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
External Debt at 1 April	81,190	81,190	81,190	81,190
Expected change in Debt	0	28,000	28,000	28,000
Actual debt at 31 March	81,190	109,190	109,190	109,190
Capital Financing Requirement	106,622	134,030	133,239	132,432
Under borrowing	25,432	24,840	24,049	23,242

5. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 10th February 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Creditworthiness

Following the Government's fiscal event on 23rd September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function OR *insert any changes to the criteria you wish to make, with supporting criteria.*

CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances

The internal investment balance at 30th September 2022 is £54m. Internal investments portfolio yield for the first 6 months of the year is 1.21% (0.18% 2021/22) against a benchmark 90 day backward looking Sonia rate 0.91%, the performance exceeded the benchmark. Actual Internal investment Income 30th September 2022 earned £310k.

The interest & rental income earned by the Council's £5m External Property Funds' Lothbury & Hermes investments as at 30th September 2022 is £92k net return 1.4% (£92.5k 2021/22 net return 1.58%) This is a good rate of return for this half year in comparison to internal investment rate of 1.21% and 12 months backward Sonia rate 0.37%.

The original valuation of Lothbury Property Investment was £2.417m and for the first half of 2022/23 the value is £2.631m overall valuation increase of £214k to date.

The original valuation of Hermes Property Investment was £2.5m and for the first half of 2022/23 the value is £2.683m overall valuation increase £184k to date.

In summary, the Council's budgeted annual investment return for 2022/23 is £300k, the total interest earned to date is £402k including Property Funds to date. (£387k in 2021/22), given the Council has been able to take advantage of the increased interest rates on some investments the actual investment income has outperformed the budget to date.

The Head of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2022/23.

6. Borrowing

The Council's capital financing requirement (CFR) for 2022/23 is £134,030m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions; however, Table 4.4 shows the Council has actual borrowings in 2022/23 of £81,190m, this is £2m of an external loan which matures in 2024 and £79,190m HRA Debt, and has utilised £24,210m of cashflow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2022

Gilt yields and PWLB rates were on a generally rising trend throughout H1 2022, the exception being a short rally in gilts in July/August. However, they rose exceptionally sharply towards the end of September.

The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% and finished the half year at 4.80%. It is not clear at this stage whether this would represent a peak rate, and at what point rates could be expected to fall.

PWLB maturity certainty rates year to date to 30th September 2022

Gilt yields and PWLB rates were on a rising trend between 1st April and 30th September.

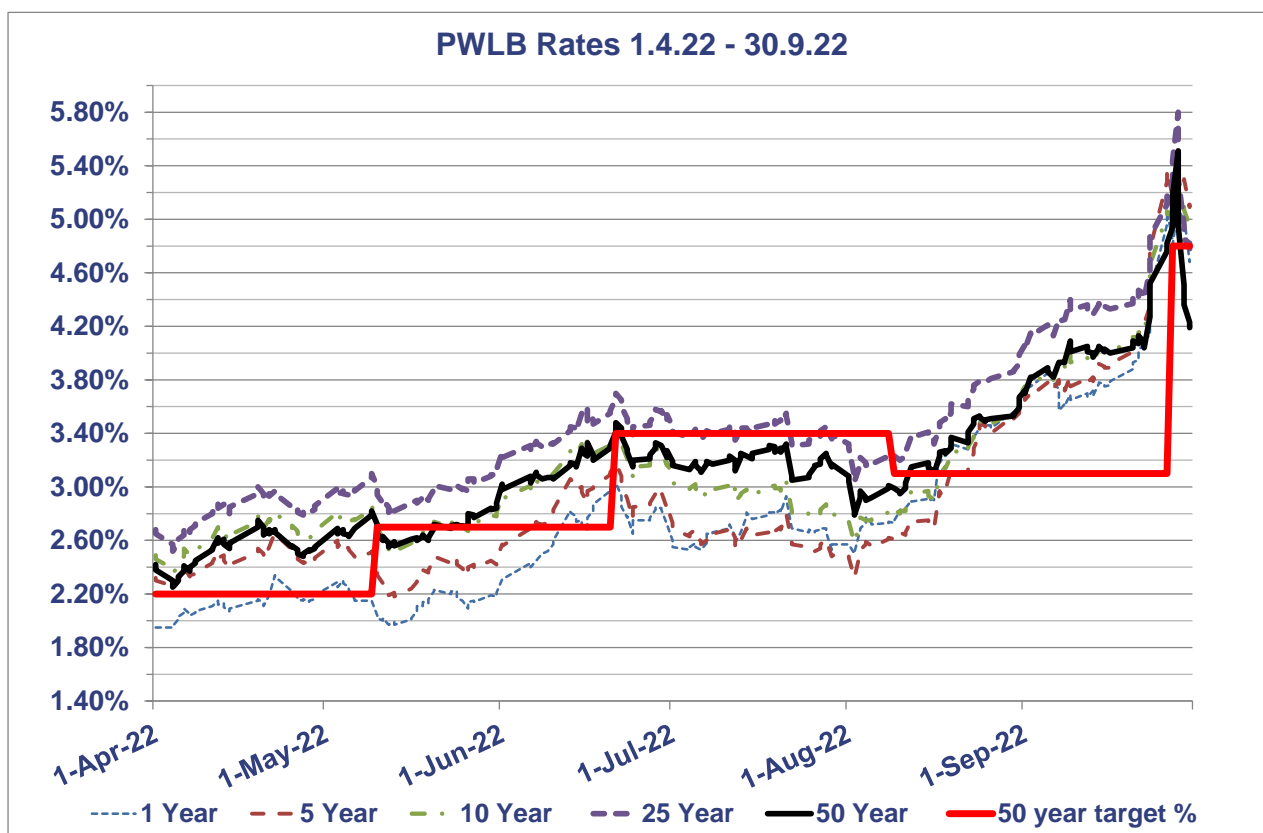
The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. It is anticipated that further borrowing will not be undertaken during this financial year.

Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), no new external borrowing has been undertaken. The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will,

therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

7. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. No new external borrowing was undertaken during the half year.



Appendices

Appendix 1: Portfolio of investments as at 30th September 2022

Appendix 2: Approved countries for investments as at 30th September 2022

Appendix 3: Glossary of Terms

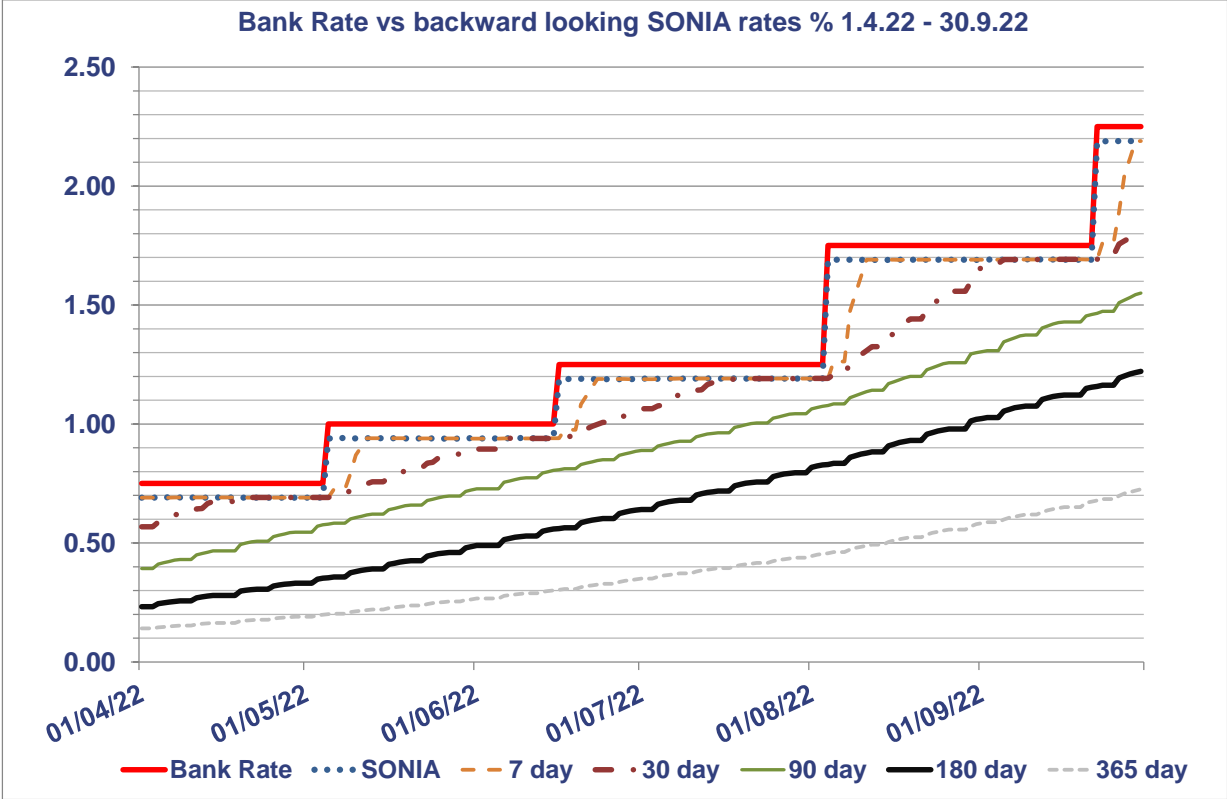
APPENDIX 1: Investment Portfolio

Investments held as at 30 September 2022	Maturity	£000
SMBC Bank International	13/10/2022	3,000
Standard Chartered Bank - Sustainable Deposit	14/11/2022	3,000
Lloyds Bank Corporate Markets	24/01/2023	3,000
Close Brothers	27/01/2023	2,000
HSBC	02/11/2022	4,000
Standard Chartered Bank - Sustainable Deposit	01/11/2022	2,500
HSBC	19/10/2022	5,000
HSBC	23/12/2022	5,000
HSBC	05/10/2022	2,000
Goldman Sachs International Bank	35 Day Notice	2,500
Santander	180 Day Notice	8,000
Federated Money Market Fund	1 Day Notice	10,620
Insight Money Market Fund	1 Day Notice	3,410
Total Managed Internally		54,030
Lothbury Property Fund	n/a	2,500
Hermes Property Fund	n/a	2,500
Total Managed Externally		5,000
TOTAL TREASURY INVESTMENTS		59,030

Internal Investment performance year to date as at 30 September 2022 (Excludes Property Funds)

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
3 month	0.91%	1.21%	£310k

QUARTER ENDED 30/9/2022	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	2.25	2.19	2.19	1.82	1.55	1.22	0.73
High Date	22/09/2022	30/09/2022	30/09/2022	30/09/2022	30/09/2022	30/09/2022	30/09/2022
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
Average	1.28	1.22	1.19	1.11	0.91	0.67	0.37
Spread	1.50	1.50	1.50	1.26	1.16	0.99	0.58



APPENDIX 2: Approved countries for investments as at 30th September 2022

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

APPENDIX 3: Glossary of Terms

Capital Financing Requirement

CFR is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

Operational Boundary

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

Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Gross External Debt

This is the total amount borrowed by the Council at a point in time.

Investments

The budgeted figure is the estimated average funds available for investment during the year. The actual figure is the total amount invested as at 30th September for Internal Investments and 30th June Property Funds.

Net Borrowing

Net borrowing is gross external debt less investments.

Loans

In this mid-year (and previously) interest receivable has exceeded interest payable for the General Fund producing a negative number for net interest payable and a somewhat odd-looking negative ratio; this can be construed as indicating that the Council has no issues servicing General Fund loans at this time.

Report of the Director of Finance, Governance and Contracts

Part A

ITEM 7 INTERNAL AUDIT PROGRESS REPORT Q2 2022-23

Purpose of Report

The report summarises the progress against the 2022/23 Audit Plan, outlining key findings from final reports and any outstanding recommendations.

Recommendation

The Committee notes the progress report set out in Appendix 1.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a regular basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this report.

Background Papers: Public Sector Internal Audit Standards

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INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

Internal Audit Progress Report 2022/23 Q2

1. Introduction

- 1.1 Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to update on Internal Audit activity during 2022/23 Q2.

2. Internal Audit Plan Update

- 2.1 The 2022/23 audit plan is included in Appendix A for information and shows the audits in progress. Since the last update report all benefits subsidy work has been completed and two final audit reports have been issued from the 2022/23 plan.

- Open Spaces – Substantial assurance
- Housing Repairs Q1 (Emergency repairs) – Limited assurance

The executive summaries for these reports are included at Appendix B

- 2.2 The audits due to take place in Q3 are:

- Planned & Cyclical Maintenance Q3
- Responsive Repairs Q3
- Capital Programmes
- Key financial systems

3.0 Outstanding Recommendations

- 3.1 Internal Audit monitor and follow up critical, high and medium priority recommendations. There are no overdue recommendations this quarter.

4.0 Internal Audit Performance Indicators

- 4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix C. There are no areas of concern to highlight.

5.0 Internal Audit Charter

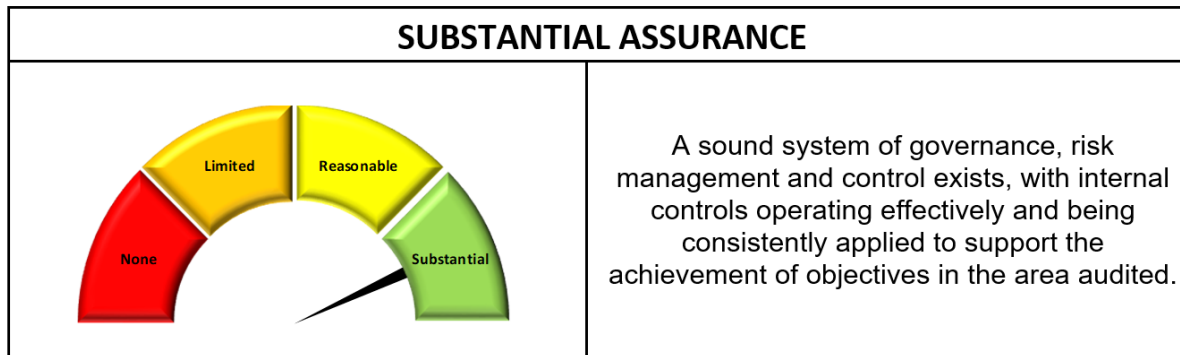
- 5.1 The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix D. Only minor amendments have been made, these are in relation to job titles.

AUDIT PLAN AS AT 30th September 2022

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Disabled Facilities Grants - Certification	Certification & audit	3	3	Completed	N/A					
S106 Agreements	Audit	6	11.5	Report drafting						
Open Spaces Contract Management	Audit	7	10	Completed	Substantial	-	-	1	-	
Town Hall	Audit	10		Q4						
Key Financial Systems	Audit	45	0.5	Planning						
Capital Programmes	Audit	10		Q2						Postponed to Q3
Covid-19 related assurance work	Assurance	20	15	As required						
Benefits Subsidy	Assurance	60	45	Completed	N/A					
Planned & Cyclical Maintenance Q1	Audit	8	6	Report drafting						
Planned & Cyclical Maintenance Q2	Audit	8	3	In progress						
Planned & Cyclical Maintenance Q3	Audit	8		Q3						

Planned & Cyclical Maintenance Q4	Audit	6		Q4						
Responsive Repairs Q1	Audit	8	11	Completed	Limited	-	8	2	-	
Responsive Repairs Q2	Audit	8	10.5	Report drafting						
Responsive Repairs Q3	Audit	8		Q3						
Responsive Repairs Q4	Audit	6		Q4						
Workforce Planning	Audit	10	0.5	Planning						
National Fraud Initiative	Non audit	20	1	As required						
IT Key Controls Audit	Audit	10		IT Audit Contractor						
IT Cyber Security	Audit	10		IT Audit Contactor						

OPEN SPACES CONTRACT



Key Findings

Areas of positive assurance identified during the audit:

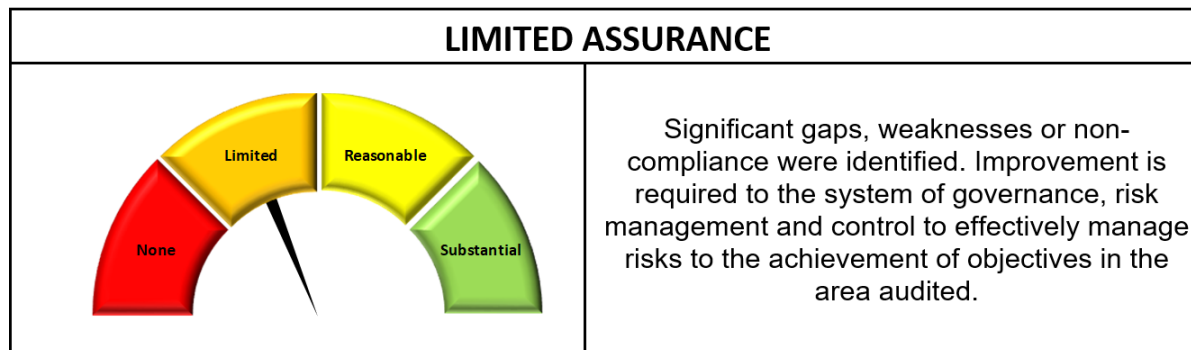
- There is a dedicated contract manager for this contract,
- Regular contract meetings take place in accordance with the contract.
- Information on contract performance is provided by the contractor, is in line with the contract and is verified for accuracy.
- Contract charges are reviewed annually in line with the contract.

The main areas identified for improvement are:

- Separation of duties in raising of purchase orders and authorisation of invoices.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>1.To ensure adequate segregation of duties the raising of purchase orders and confirmation of goods / services received should be carried out by a different officer to the officer responsible for authorising payment.</p> <p>The finance system (Unit4) currently allows for the raising of an order, confirmation of receipt of goods and authorising of invoices to be carried out by the same person. This has been identified as control weakness and reported as part of the Creditors audit.</p>	Medium	Agree – will discuss proposed actions with Head of Service and Finance.	Performance, Policy & Development Manager.	31.10.2022

HOUSING REPAIRS Q1 (EMERGENCY REPAIRS)



Key Findings

Areas of positive assurance identified during the audit:

- Procedures are in place to ensure that repairs are relevantly prioritised.

The main areas identified for improvement are:

- Detailed written procedure guides are not in place for key process.
- Systems are not relevantly updated when works are completed.
- Contractor (creditor) references are not always used when raising QL orders.
- Schedule of Rates are out of date.
- The procedures in place for identifying further work are open to error and provide an insufficient audit trail.
- Performance monitoring is inaccurate, as it does not capture emergency call outs not scheduled on Service Connect.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. All key procedures are documented and made accessible to staff, these should support relevant policies and tenancy guides.	Medium	Agreed as per recommendation.	Repairs and Investments Manager and Principal Officer - Repairs and Maintenance	August 2023
2. Staff are trained on the processes to follow to ensure that there is consistency across services.	Medium	Agreed as per recommendation.	Repairs and Investments Manager and Principal Officer - Repairs and Maintenance	October 2023
3. Training is carried out for staff to ensure they are aware of the processes to follow in relation to the raising and closing of orders on both systems.	High	Agreed as per recommendation.	Repairs and Investments Manager	October 2022
4. An exercise is undertaken to ensure that the status of all orders is correctly recorded on both systems.	High	Agreed as per recommendation.	Repairs and Investments Manager in conjunction with the software provider (Service Connect).	March 2023
5. A procurement exercise is carried out for this area of work to ensure that the authority is following contract procedure rules.	High	A procurement process is in progress for this work.	Repairs and Investments Manager	December 2022
6. Officers raising orders receive the appropriate training and information to ensure data entry is accurate and removes the requirement to duplicate work.	High	Agreed as per recommendation.	Repairs and Investments Manager and Principal Officer - Repairs and Maintenance in conjunction with the housing systems team.	December 2022
7. The processes to identify where further works are needed, following an emergency call out, are reviewed to ensure that all further works are captured and acted upon.	High	Generic email address for the RTL set up and will be contacting the relevant contractors to advise this the email address to use in future. Investigate why service connect is not retaining the surveys.	Principal Officer -Repairs and Maintenance	October 2022

		Upload the document RTLS received via email on service connect in the meantime.		
8. Officers ensure that they are aware of the terms and conditions of contracts and that, on an annual basis, these are reviewed, including the schedule of rates to ensure any uplifts are input into the system and tested to ensure accuracy. This review should be fully documented.	High	<p>Access to contractual information is available to all appropriate officers, a meeting will be held with key officers to reiterate the need for them that have a responsibility to read and understand what is in the contracts, in particular, specifications and costs.</p> <p>Schedule of rates for new contracts (such as Dalrod, Orbis, GEP) have been reviewed and updated on system.</p> <p>The schedule of rates for recent contract for T&S Heating Ltd is currently being formatted for uploading onto QL.</p>	Repairs and Investments Manager	September 2022
9. A review of the in-house Schedule of Rates is carried out and where appropriate, rates are updated to reflect current costs.	High	Agreed as per recommendation.	Repairs and Investments Manager	December 2022
10. Processes are put in place to ensure all emergency call out data is captured and can then be accurately reported to the Senior Leadership Team and Housing Management Advisory Board.	High	Agreed as per recommendation.	Repairs and Investments Manager and Principal Officer - Repairs and Maintenance	March 2023

INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 30 th September 2022	COMMENTS
Delivery of 2022/23 Audit Plan	23%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	1 responses received for 2022/23
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 th November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	



INTERNAL AUDIT CHARTER

Charnwood Borough Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.
Kerry Beavis Audit Manager	September 2022	Minor amendment of job title.

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2 Definitions

- 2.1 In line with the PSIAS:

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

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At this Council this shall mean the Audit Committee.

Senior Management – those responsible for leadership and direction of the Council. At this Council this shall mean the Senior Leadership Team (SLT).

Chief Audit Executive – the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or

others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.
At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3 Mission and Purpose of Internal Audit

3.1 In line with the PSIAS the mission of Internal Audit is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

4 Professionalism

4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

5 Scope of Internal Audit

5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
- appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
- assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

6 Authority of Internal Audit

6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:

- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
- have access at all times to the Council's records, documents and correspondence;
- require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
- require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.

6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

7 Responsibility of Internal Audit

7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.

7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:

- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
- the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
- the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

8 Reporting Lines

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Commercial Services. The performance of Internal Audit is also monitored by the Head of Governance and Human Resources who is the contract manager.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
 - completes individual declarations confirming compliance with rules on independence and conflicts of interest; and

- has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.

9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.

9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

10 Accountability

10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:

- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

11 Internal Audit Resources

11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.

11.2 The Director of Finance, Governance and Contracts (S151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.

- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.
- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
 - sponsoring each audit at senior management level;
 - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
 - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
 - implementing agreed management actions in accordance with the agreed timescales; and
 - updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.
- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on

internal controls, governance arrangements, and risk management activities.

13 Nature of Services

- 13.1 The Public Sector Internal Audit Standards define assurance as
“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.”
- 13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.
- 13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:
- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
 - the scope of the consulting/advisory engagement has been clearly defined;
 - Internal Audit is considered to have the rights skills, experience and available resource;
 - management understand that the work being undertaken is not Internal Audit work; and
 - Internal Audit’s involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.
- 13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

14 Role of Internal Audit in Fraud-Related Work

- 14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.
- 14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.
- 14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

15 Relationships

- 15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.
- **Relationships with Management**
The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.
 - **Relationships with External Audit**
Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.
 - **Relationships with Regulators and Inspectors**
The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.
 - **Relationships with Elected Members**
The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit Committee. The Chief

Audit Executive has the opportunity to meet with the Chair of the Audit Committee if required.

16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the S151 Officer; and
- monthly meetings with the Head of Governance and Human Resources.

16.3 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

17 Records Retention

17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.

AUDIT COMMITTEE – 8th November 2022

Report of the Head of Transformation, Strategy and Performance

Part A

ITEM 8 RISK MANAGEMENT (RISK REGISTER) UPDATE

Purpose of Report

The purpose of this report is to provide the Committee with details of the Strategic Risk Register produced for the period to 2022/23.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the Strategic Risks. Noting that should they occur they would cause the Council to be unable to operate and/or provide key services leading to a significant effect on public wellbeing.

Policy Justification and Previous Decisions

The Strategic Risk Register was approved by Cabinet on the 10th February 2022.

Cabinet resolved that the Audit Committee monitor progress against those risks on the register by receiving and considering reports on a quarterly basis.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this decision.

Background Papers: Cabinet Report 10th February 2022 – Item 11
Audit Committee Report – 4th May 2022 – Item 8
Audit Committee Report – 15th February 2022 – Item 6
Audit Committee Report – 12th July 2022 – Item 9

Officers to contact: Helen Gretton
Head of Transformation, Strategy and Performance
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Part B

Background

1. In accordance with the work programme the Committee receives quarterly monitoring reports in respect of the Council's risk management arrangements. The reports provide a detailed commentary against the risks included in the Strategic Risk Register and identifies any changes to the risk rating and / updated treatments and controls.

Development of the Strategic Risk Register

2. In reading the risk registers attached in the appendices, it is important to understand that the 'Overall Score' shown in the first risk matrix is the risk that the Council would bear if **no** actions were taken to mitigate the risk – the inherent risk. In the vast majority of cases the Council is able to operate risk mitigation processes which result in the lower 'Net Risk Score' shown in the second risk matrix it is this latter score which represents the current assessment of strategic risks faced by the Council, this is the residual risk.
3. The registers continue to be monitored and reviewed by the Senior and Corporate Leadership Teams at the quarterly Risk Management Group (RMG) meetings, and are updated as required. The most recent meeting of the RMG was 21st September.
4. The following notable changes were made to the Strategic Risks at that meeting;


Risk		Section	Details
SR1	Business Continuity	Planned Future Actions	Update Business Continuity Plans
SR3	Financial Resources	Inherent and Residual Risk	Change from a score of 6 for inherent risk to 9 And change from score of 4 for residual risk to 6 To reflect the risks around reduced income from the Town Hall and Car Parks
SR4	Staffing	Current Treatments and Controls	Added - Awaiting Local Government Pay Award
SR5	Governance	Current Treatments and Controls	Added - External Audit process
		Planned Future Actions	Roll out of the Modern.gov software – by October 2022
SR6	Partnerships	Planned Future Actions	Develop a Civic Partnership agreement with Loughborough University Develop a LLR Chief Executive's Group

Risk		Section	Details
SR7	Data Security	Inherent and Residual Risk	Change from a score of 12 for inherent risk to 9 And change from score of 6 for residual risk to 6 Direction of travel improved due to more robust treatments and controls
		Planned Future Actions	Remove action relating to recruitment of Data Protection and Information Security Officer as post now filled
SR11	Housing Demand	New action included	Inability to meet increased housing demand arising from inflationary pressures, and asylum and refugee dispersal, in the context of constrained supply of public and private rented sector housing resources, leading to increased homelessness and associated costs, services unable to meet demand, and consequential reputational damage.

5. Alongside the above changes it is noted that a new risk has been added to the register, this is to reflect the demand on housing at a local level.
6. Attached at **Appendix A** is the updated Strategic Risk Register showing highlighted areas where the above changes are made.
7. Pentana Risk Management software has now been introduced to the Council and this is being used to manage the Strategic Risks going forward. The system provides an overview of all risks and can be drilled down to a greater level of detail as the user requires. The system also shows the direction of travel for risks and therefore provides an audit trail. A report from Pentana highlighting the audit trail regarding SR 3 and SR 7 is attached at **Appendix B**.

SR01 Risk that there is a lack of adequate Business Continuity and Recovery arrangements.-

Current Compare Description



Impact 4 Major
Likelihood 3 Likely
Score 12

Assessment I4L3 Major/Likely
Date Assessed 28 Apr 2022
Internal Controls Score 1 Ineffective

Update

Risk Details Risk Tree History Internal Controls Related To More...

Owners

Administered By Corporate Risk Manager
Assigned To Corporate Risk Manager

Notes Notes from current assessment...

No Notes found.

Risk Attributes

Profile

- Potential Effect
- Inability to deliver key/critical services e.g benefits, refuse collection, homelessness applications, emergency repairs.
 - Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony

Appendices

- Appendix A - Strategic Risk Register 2022/23 – Version 6
- Appendix B – Pentana Report

Strategic Risk Register

OVERVIEW

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
SR1	Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Director of Finance, Governance and Contracts	3	4	12	3	3	9
SR2	Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Chief Executive	4	4	16	3	3	9
SR3	Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Director of Finance, Governance and Contracts	3	3	9	2	3	6
SR4	Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Chief Executive	3	3	9	3	2	6
SR5	Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal	Chief Executive	2	3	6	2	2	4

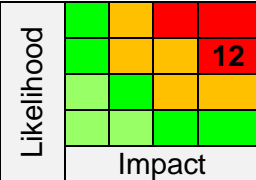
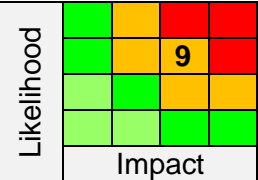
Strategic Risk Register

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	process leading to service delivery issues and/or reputation damage and/or criminal charges							
SR6	Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Chief Executive	2	2	4	1	2	2
SR7	Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Director of Finance, Governance and Contracts	3	3	9	2	3	6
SR8	Risk that the Council does not establish effective strategic communication arrangements leading in the public not being informed about Council activity resulting in reputational damage	Chief Executive	3	3	9	2	3	6
SR9	Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Chief Executive	2	3	6	2	2	4
SR10	Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Chief Executive	3	4	12	3	3	9
SR11	Risk that there is an inability to meet increased housing demand arising from inflationary pressures, and asylum and	Chief Executive	3	4	12	3	3	9

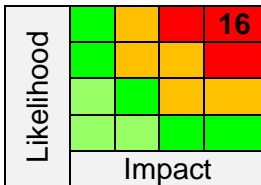
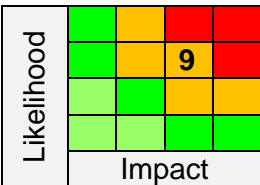
Strategic Risk Register

RISK		OWNER	INHERENT RISK			RESIDUAL RISK		
			Likelihood	Impact	Total	Likelihood	Impact	Total
	refugee dispersal, in the context of constrained supply of public and private rented sector housing resources, leading to increased homelessness and associated costs, services unable to meet demand, and consequential reputational damage.							

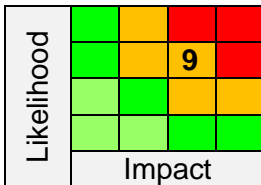
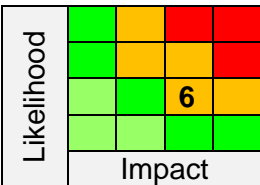
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR1-Business Continuity Risk that there is a lack of adequate business continuity and recovery arrangements, leading to major internal and/or external disruption to services in the event of an incident (i.e. major ICT fail, fire etc), resulting in injury and/or loss of life and/or reputation	Strategic	<ul style="list-style-type: none"> Inability to deliver key/critical services e.g.benefits, refuse collection, homelessness applications, emergency repairs. Reduction in access channels available to residents / customers i.e. contact centre, customer services, telephony 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> Business Continuity Planning IT Disaster Recovery Plan Website hosted externally Off-site data back-up arrangements Stand-by generator for ICS building and back up power for the Southfields site Cloud based telephony infrastructure Contingency planning for failure of major contractor 				
Risk Owner	Director of Finance, Governance and Contracts				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Link to work regarding concurrent incidents Update Business Continuity Plans Link to workforce mental health	<u>Responsible Officer:</u> Head of Strategic Support Head of Transformation, Strategy and Performance	<u>Target Date:</u> Ongoing		

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR2-Civil Contingencies Risk that there is a lack of robust civil contingency arrangements established leading to a failure to respond appropriately to a major incident (e.g. flooding, terrorism etc) resulting in injury and/or loss of life	Strategic	<ul style="list-style-type: none"> • Inability to respond to affected peoples' basic needs (food, shelter etc) • Adverse effect on the local economy • Major reputational damage and loss of public confidence • Extending the recovery phase longer than necessary • Dealing with the COVID pandemic will have a negative effect on the management of concurrent incidents 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Participation in the Local Resilience Partnership and Forum (LRP and LRF) • Appropriate emergency and incident planning in place • Regular testing and exercising of emergency plans • Training and awareness for relevant staff • 24/7 call-out arrangements for senior managers (SLT / CLT) • Participation in county-wide Events Safety Group (SAG) • Reviews periodically undertaken within current Treatments and Controls 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u>	<u>Responsible Officer:</u>	<u>Target Date:</u>		

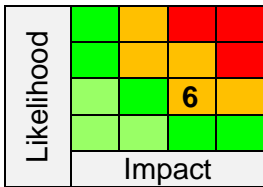
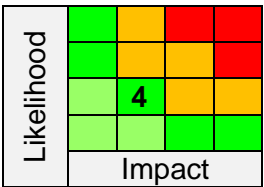
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR3 – Funding Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent	Strategic	<ul style="list-style-type: none"> • Inability to meet demand for services • Inability to meet statutory duties • Ceasing or reducing some services 			Direction of Travel increased due to impact of the revenue from the Town Hall and Car Parks
Current Treatments and Controls	<ul style="list-style-type: none"> • Annual production and monitoring of Medium Term Financial Strategy (MTFS) • Treasury Management Strategy • Budget and revenue monitoring processes • Production and monitoring of efficiency plan • Maintenance of reserves at specified required levels • Monitor, consider and respond to government proposals affecting budgets and/or income • Monitor the implications of the COVID pandemic on the financial situation • Active work around Supported living costs 				
Risk Owner	Director of Finance, Governance and Contracts				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Further exploration of commercial opportunities	<u>Responsible Officer:</u> Strategic Director - Commercial Development, Asset and Leisure	<u>Target Date:</u> December 2022		

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																		
SR4 – Staffing Risk that the Council does not attract suitable or capable staff or resources or there is a high sickness level or there are capacity issues from contractors and suppliers leading to a high number of vacancies or staff available resulting in poor service provision	Strategic	<ul style="list-style-type: none"> Inability to meet demand for services Inability to meet statutory duties Ceasing or reducing some services 	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	9	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Impact				<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>6</td><td>Yellow</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	6	Yellow	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Impact				Remains the same
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Current Treatments and Controls	<ul style="list-style-type: none"> Benchmarking with other Districts Seeking guidance from established organisations such as Jobs Go Public, East Midlands Councils, District Councils Network and Local Government Association – especially relating to services which are hard to recruit to Marketing the Council / Local Authority Awaiting Local Government Pay Award 																																																						
Risk Owner	Chief Executive																																																						
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Internal review of Recruitment		<u>Responsible Officer:</u> Head of Transformation, Strategy and Performance		<u>Target Date:</u> December 2022																																																		

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR5 – Governance Risk that the Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal process leading to service delivery issues and/or reputation damage and/or criminal charges	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage Not complying with legislation 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> Annual review of the constitution Ensure that the Council's processes address the governance requirements Established governance arrangements for Risk Management, Performance Management, Projects and Programme Management Modern.gov – good democratic governance Annual governance statement Internal audit programme External Audit process 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	Description: Roll out of the Modern.gov software		Responsible Officer: Head of Governance and HR		Target Date: October 2022

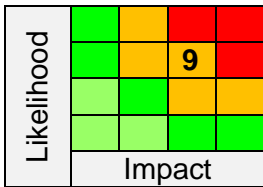
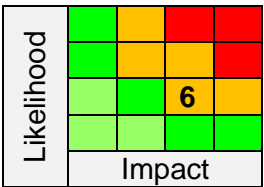
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																				
SR6 – Partnerships Risk that partnerships with key stakeholders are not developed or maintained leading to a failure to deliver shared outcomes and a lack of delivery to the public resulting in service delivery issues and/or reputational damage	Strategic	<ul style="list-style-type: none"> • Reputational Damage • Lack of joined up working • Damage to relationships with partners 	<table border="1"> <tr><td rowspan="5">Likelihood</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>4</td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood										4												Impact				<table border="1"> <tr><td rowspan="5">Likelihood</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td>2</td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood										2												Impact				Remains the same
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Current Treatments and Controls	<ul style="list-style-type: none"> • Joint working with key organisations with clearly identified terms of reference and joint outcomes • Up to date contact details within partner organisations • Six monthly parish clerk meetings • Community Safety Partnership Review • Consider Partnership Register • Maintain relationships across Leicester, Leicestershire and Rutland • Strategic Partner reviews 																																																								
Risk Owner	Chief Executive																																																								
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Develop a Civic Partnership agreement with Loughborough University Develop a LLR Chief Executive's Group		<u>Responsible Officer:</u> Chief Executive		<u>Target Date:</u> October 2022																																																				

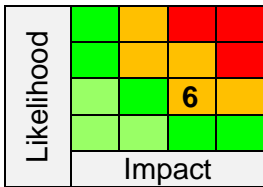
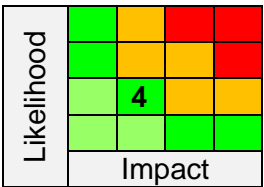
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																																																						
SR7 – Data Security Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage	Strategic	<ul style="list-style-type: none"> Ineffective processes for sharing data with other agencies / authorities leading to data breaches Reputational damage and loss of public confidence Potentially significant fines Increased risk due to the operating processes and people possibly taking documents home 	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Yellow</td><td>9</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Impact</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	Yellow	9	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green		Green	Green	Green	Green	Impact	Green	Green	Green	Green	<table border="1"> <tr><td>Likelihood</td><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>6</td><td>Yellow</td><td>Red</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td></td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> <tr><td>Impact</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr> </table>	Likelihood	Green	Yellow	Red	Red		Green	6	Yellow	Red		Green	Green	Yellow	Yellow		Green	Green	Green	Green		Green	Green	Green	Green		Green	Green	Green	Green	Impact	Green	Green	Green	Green	Direction of travel improved due to more robust treatments and controls
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Current Treatments and Controls	<ul style="list-style-type: none"> Information sharing agreements in place with key agencies and authorities Annual IT health checks including penetration testing Data protection training and awareness for staff and councillors Data Protection Impact Assessment form developed and circulated IT security policies in place Policies are reviewed on a regular basis Information Security Group established with CLT Checking the location of data storage post Brexit – EU / UK Cyber Security insurance procured Increased move to the Cloud 																																																																										
Risk Owner	Director of Finance, Governance and Contracts																																																																										
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Recruit into vacant Data Protection and Information Security Officer post – now recruited		<u>Responsible Officer:</u> Head of Customer Experience		<u>Target Date:</u> June 2022																																																																						

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR8 – Communication Risk that the Council does not establish effective strategic communication arrangements leading to the public not being informed about Council activity resulting in reputational damage	Strategic	<ul style="list-style-type: none"> • Reputational damage • Adverse social media coverage • Damage to relationships with partners • Damage to staff morale 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Adequately staffed and experienced corporate communications team • Communications Strategy and Plan in place • Regular monitoring of all media sources • Continue to expand social media use and reach • ‘Horizon scanning’ for potential communication issues at each Corporate Leadership Team meeting and as part of the Corporate Delivery Plan setting • Joint working with partners incldign LRF Comms Cells • Montitor the effectiveness of communications channels and posts 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Completion of the actions within the Communications Plan		<u>Responsible Officer:</u> Communications Manager		<u>Target Date:</u> March 2023

Strategic Risk Register

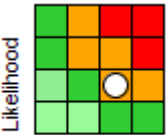

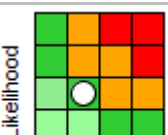
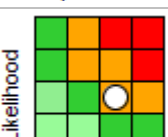
Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel
SR9 – Climate Change Risk that the Council does not lead by example and manage the ongoing impact of climate change leading to a lower than anticipated reduction in carbon output	Strategic	<ul style="list-style-type: none"> • Reputational damage • Environmental damage 			Remains the same
Current Treatments and Controls	<ul style="list-style-type: none"> • Cabinet pledge regarding climate change • Climate Change Action Plan • Caring for the Environment as a Corporate Strategy Theme and associated actions • Delivery of the new Strategy • Climate Action Board established – now met 				
Risk Owner	Chief Executive				
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Completion of the Climate Change Action Plan		<u>Responsible Officer:</u> Director of Commercial and Economic Development		<u>Target Date:</u> March 2023


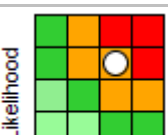
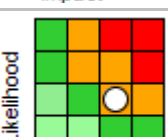
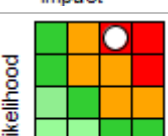
Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR10 – External Factors Risk that new legislation or external factors cause negative financial or reputational impact on the Council leading to a reduction in service provision (i.e., Environment Bill) resulting in service delivery issues and/or reputational damage	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage Not complying with legislation 	<table border="1"> <tr><td rowspan="4">Likelihood</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td>12</td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood								12										Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td>9</td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td colspan="4">Impact</td></tr> </table>	Likelihood							9											Impact				Remains the same
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Current Treatments and Controls	<ul style="list-style-type: none"> Monitoring legislation through Parliament Liase with other Districts Reviewing and understand the financial implications Regular briefings to Cabinet 																																																
Risk Owner	Chief Executive																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Environment Act – monitoring Elections Bill – Implementing Supported Accommodation programme legislation	<u>Responsible Officer:</u> Head of Contracts: Leisure, Waste and Environment / Head of Regulatory and Community Safety Head of Governance and HR Director or Customer Experience	<u>Target Date:</u> Ongoing																																														

Strategic Risk Register

Risk Code and Title	Primary Risk Type	Potential Consequences	Inherent Risk Matrix	Residual (Current) Risk Matrix	Direction of Travel																																												
SR11 – Housing Demand Inability to meet increased housing demand arising from inflationary pressures, and asylum and refugee dispersal, in the context of constrained supply of public and private rented sector housing resources, leading to increased homelessness and associated costs, services unable to meet demand, and consequential reputational damage.	Strategic	<ul style="list-style-type: none"> Financial damage Reputational damage 	<table border="1"> <tr><td rowspan="4">Likelihood</td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td style="text-align: center;">12</td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td></td><td colspan="4" style="text-align: center;">Impact</td></tr> </table>	Likelihood	 	 	 	 	 	 	 	12	 	 	 	 	 	 	 	 		Impact				<table border="1"> <tr><td rowspan="4">Likelihood</td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td style="text-align: center;">9</td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td></td><td colspan="4" style="text-align: center;">Impact</td></tr> </table>	Likelihood	 	 	 	 	 	 	9	 	 	 	 	 	 	 	 	 		Impact				Initially established
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Current Treatments and Controls	<ul style="list-style-type: none"> Acquisitions process for HRA property Work with local lettings agents and landlords to increase the supply of private rented sector accommodation Working with developers to provide housing through the planning system Council stock used a temporary accommodation Action plan in place to support faster re-let of HRA property 																																																
Risk Owner	Chief Executive																																																
Planned Future Actions and Responsible Officer(s).	<u>Description:</u> Updated Housing Strategy to be developed. New HRA Asset Management Strategy in development.		<u>Responsible Officer:</u> Director of Housing and Wellbeing		<u>Target Date:</u> 2024 2022/23																																												

SR3		Funding		
Risk that there is a lack of external funding and/or income generated leading to a reduction in the financial resources available for service provision and/or to fund corporate objectives resulting in not being able to delivery services or being financially solvent				
 <p>Likelihood</p> <p>Impact</p>	20-Oct-2022	6	New Residual Rating.	
 <p>Likelihood</p> <p>Impact</p>	28-Apr-2022	9	New Inherent Rating.	
 <p>Likelihood</p> <p>Impact</p>	22-Sept-2022	4	Old Residual Risk Rating.	
 <p>Likelihood</p> <p>Impact</p>	22-Sept-2022	6	Old Inherent Risk Rating.	

SR7		Data Security		
Risk that adequate data sharing and data security arrangements are not implemented leading to an increase in cyber-attacks resulting in service disruption or data loss or damage.				
 <p>Likelihood</p> <p>Impact</p>	20-Oct-2022	6	New residual risk rating.	
 <p>Likelihood</p> <p>Impact</p>	28-Apr-2022	9	New Inherent risk rating.	
 <p>Likelihood</p> <p>Impact</p>	22-Sept-2022	6	Old residual risk rating.	
 <p>Likelihood</p> <p>Impact</p>	22-Sept-2022	12	Old Inherent risk rating.	

AUDIT COMMITTEE – 8th November 2022

Report of the Director of Finance, Governance and Contracts

ITEM 9 WORK PROGRAMME

Purpose of Report

To enable the Committee to consider its Work Programme.

Actions Requested

That the Committee considers any items that it wishes to add to or amend, in its work programme for future meetings.

Reason

To enable the Committee to identify future items of business and enable planning for future meetings to be undertaken, for example preparing reports and arranging for the attendance of officers and/or others at meetings.

Background

The Work Programme agreed at the last meeting of the Committee is attached as an appendix for the consideration of the Committee.

Officer to contact: Ed Brown
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ISSUE	MEETING
External Audit Progress Report and Technical Update External Audit Business <i>If required</i>	<i>Standing Item</i>
Council's Use of Regulation of Investigatory Powers Act (RIPA)	<i>Standing Item</i>
Internal Audit Plan – Progress	<i>Standing Item</i>
Risk Management (Risk Register)	<i>Standing Item</i>
Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	Reported every six months.
Internal Audit Charter Internal Audit Business	8 th November 2022 Annually (for approval)
Treasury Management Mid-Year Review	8 th November 2022 Annually
2021/22 Annual Governance Statement and Review of the Code of Corporate Governance	22 nd November 2022 (Accounts Meeting) Annually
2021/22 Annual Governance Report External Audit Business	22 nd November 2022 (Accounts Meeting) Annually
2021/22 Statement of Accounts	22 nd November 2022 (Accounts Meeting) Annually
Governance and Risk Aspect of Commercial Investment and Performance Review - EXEMPT	31 st January 2023 Every 6 months
2021/22 Auditor Annual Report External Audit Business	31 st January 2023 (Moved From 22 nd November 2022) Annually
2021/22 Treasury Management Statement, Annual Investment Strategy and MRP Strategy	25 th April 2023 Annually

2022/23 Internal Audit Plan Internal Audit Business	25 th April 2023 Annually
2021/22 Annual Audit Letter	25 th April 2023 Annually
External Quality Assessment of Internal Audit	25 th April 2023
Capital Strategy 2022/23	25 th April 2023 Annually
Annual IT Health Check (Code of Connection) -EXEMPT	25 th April 2023 Annually – Moved from February 2021 meeting.