

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held at Three Rivers House, Northway, Rickmansworth, WD3 1RL on Thursday 8 December 2022 at 7.30pm.

Members of the Audit Committee:-

Councillors:

Tony Humphreys (Chair)
Ruth Clark
Joan King
Steve Drury (Vice Chair)
Lisa Hudson

Khalid Hussain
Raj Khiroya
Shanti Maru
Chris Mitchell

*Joanne Wagstaffe, Chief Executive
30 November 2022*

The Council welcomes contributions from Members of the public to its discussion on agenda items at Committee meetings. Contributions will be limited to one person speaking for and one against each item for not more than three minutes.

Please note that in the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will automatically be given the right to speak on the item at that next meeting of the Committee. Details of the procedure are provided below:

Members of the public wishing to speak will be entitled to register and identify which report they wish to speak on from the published agenda for the meeting. Those who wish to register to speak can arrive from 7pm on the night of the meeting and up to shortly before the meeting. The Council Constitution allows for one person to speak for an item and one person to speak against for up to 3 minutes.

Anyone wishing to observe the meeting can arrive from 7pm on the night of the meeting of the meeting.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part 1 business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Act and the laws of libel and defamation.

- 1. APOLOGIES FOR ABSENCE**
To receive any apologies for absence.
- 2. MINUTES**
To confirm as a correct record the minutes of the Audit Committee Meeting held on Thursday 29 September 2022.
- 3. NOTICE OF ANY OTHER BUSINESS**
Items of other business notified under Council Procedure Rule 30 to be announced, together with special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items
- 4. DECLARATION OF INTERESTS**
To receive any declarations of interest.
- 5. STATEMENT OF ACCOUNTS UPDATE** (Pages 5 - 12)
This report sets out the latest position for the finalisation and audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

The report also provides an update on the process to appoint external auditors for 2023/24
- 6. EXTERNAL AUDITOR UPDATE**
To receive a verbal update.
- 7. THREE RIVERS DISTRICT COUNCIL AUDIT COMMITTEE PROGRESS REPORT** (Pages 13 - 62)
Members are recommended to:
 - Note the Internal Audit Progress Report for the period to 25 November 2022
 - Agree changes to the implementation dates for 8 audit recommendations (Paragraph 2.5) for the reasons set out in Appendices 3 to 6
 - Agree removal of implemented audit recommendations (Appendices 3 to 6)
- 8. TREASURY MANAGEMENT MID-YEAR REPORT 2022/23** (Pages 63 - 92)
This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers performance against the Council's Capital Strategy and Treasury Management Policy.

The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.
- 9. DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24** (Pages 93 - 94)
This report sets out the draft Treasury Management Strategy Statement (TMSS) for 2023/24. The final TMSS will be considered by Council alongside the Budget for 2023/24, Medium Term Financial Plan and Capital Strategy on 21 February 2023.

The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy

and policies.

- 10. FINANCIAL AND BUDGETARY RISKS** (Pages 95 - 100)
This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.
- 11. COMMITTEE WORK PROGRAMME** (Pages 101 - 104)
To receive the Committee's work programme
- 12. ANY OTHER BUSINESS**
- 13. EXCLUSION OF THE PRESS AND PUBLIC**

If any confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional item(s) and a resolution to be passed in the following terms

“that under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined under the respective paragraphs 1 to 7 of Part 1 of Schedule 12A to the Act”.

- 14. OTHER BUSINESS - if approved under item 3 above**

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

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AUDIT COMMITTEE – 8 DECEMBER 2022

PART I – DELEGATED

5. STATEMENT OF ACCOUNTS UPDATE (DoF)

1 Summary

1.1 This report sets out the latest position for the finalisation and audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22.

1.2 The report also provides an update on the process to appoint external auditors for 2023/24 onwards.

2 Detail

2.1 Statement of Accounts 2019/20

2.1.1 The Draft Statement of Accounts 2019/20 is published as Appendix 1 to this report. This has been submitted to the External Auditors, Ernst Young (EY), and includes all amendments arising from the 2019/20 audit which have been agreed between Officers and the local audit team. The accounts are now subject to an internal consultation process within EY which will scrutinise the accounts and audit work in relation to:

- The Going Concern assessment
- The Prior period adjustments in relation to the Fixed Asset Register and South Oxhey Initiative

2.1.2 Delegation is sought from the Committee for any final changes arising from the consultations to be made by the Director of Finance and for the Chair of the Committee to sign the accounts. This will enable the accounts to be signed off as soon as the consultations are concluded and in advance of the next Committee meeting in March.

2.1.3 As previously reported to the committee, the change in accounting treatment of the South Oxhey Initiative and reclassification and revaluation of other fixed assets has resulted in calculations being reworked back to 2017/18 and these changes meet the definition of a prior period adjustment (PPA). The changes and the impact of the changes on the Statement of Accounts is disclosed in Note 4 to the accounts.

2.1.4 As noted above, the PPA requires the External Auditors to complete additional due diligence and the revisions will undergo an internal consultation process. This will include a review of the valuations of the South Oxhey initiative included in the accounts by the EY specialist valuations team. The other outstanding item is the conclusion of the review of management's Going Concern assessment, which covers the period of 12 months from the date of signing the accounts.

2.1.5 Auditing standards require the External Auditors to obtain representations from management on certain matters material to their audit opinion. This is known as the Letter of Representation. The Audit Committee is required to consider and approve the letter of representation before it is signed by the Director of Finance and the Chair of the Committee.

- 2.1.6 A Draft Letter of Representation is at Appendix 2. The draft letter may change to reflect the outcome of the ongoing audit work. Therefore, the committee is asked to agree that the Director of Finance, in consultation with the Chair of the Committee, can make any further changes to the letter of representation that may arise as a result of the consultations.
- 2.1.7 The Letter of Representation must set out any unadjusted audit differences where management has chosen not to amend the statements for audit findings and the rationale for not doing so. At this stage, it is not anticipated that there will be any unadjusted audit difference as differences

2.2 Statement of Accounts 2020/21

- 2.2.1 The draft Statement of Accounts for 2020/21 was published by 31 July 2021 in line with statutory timetable for public inspection. The draft accounts will be updated to reflect the final balances and changes to accounting treatment agreed in the 2019/20 accounts upon completion of the consultation on the 2019/20 prior period adjustments.
- 2.2.2 The audit of the 2020/21 accounts is commenced on 17 October 2022 and is ongoing. An update from the External Auditors is elsewhere on the agenda.
- 2.2.3 It is expected that it will be possible to conclude the audit of the 2020/21 accounts swiftly following signing of the 2019/20 accounts. The expected timeframe will be reviewed in January and, if appropriate, an additional meeting of the Audit Committee will be arranged to sign the 2020/21 accounts ahead of the next meeting on 28 March 2023.

2.3 Statement of Accounts 2021/22

- 2.3.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.
- 2.3.2 It is anticipated that the audit of the 2021/22 will follow on immediately from the conclusion of the 2020/21 audit however, estimated completion is uncertain due to the availability of audit resource and the impact of year end. The shared objective between Officers and the External Auditors is to bring the Council's accounts and audit back within the statutory framework during 2023.

2.4 Appointment of External Auditors from 2023/24 to 2027/28

- 2.4.1 As previously reported, the Council has opted into the national procurement for external audit services for the five year period beginning on 1 April 2023, led by Public Sector Audit Appointments Limited (PSAA). The outcome of the procurement was announced by PSAA on 3 October 2022 with 99.5% of the tendered work provided for.
- 2.4.2 Contracts have been offered to six suppliers with the scale of the contract depending on the capacity each supplier is able to provide. Three existing suppliers have been reappointed. These are Grant Thornton with 36% of the work, Mazars with 22.5%, and Ernest & Young with 20%. KMPG have re-entered the market with 14% of the

work. The remaining work has been offered to two new entrants to the market Bishop Fleming, 3.75% and Azets Audit Services, 3.25%.

2.4.3 On 17 October the PSAA commenced the consultation on the proposed auditor appointments for all opted in bodies and wrote to all Section 151 Officers, Chief Executives and Audit Committee Chairs. The consultation closed on 14 November 2022.

2.4.4 The proposed auditor for Three Rivers District Council from 2023/24 is Azets Audit Services. The PSAA describe Azets as:

“ A UK top 10 audit, accounting and business advisory firm. The firm provides external audit, internal audit and other assurance services across the public sector and has extensive experience of auditing large Scottish councils on behalf of the Accounts Commission. While the firm operates from around 80 local offices spread across the UK, it delivers public sector audit using specialist teams in selected locations in the North, Midlands and London”

2.4.5 The PSAA have committed to write to all bodies to confirm the Board’s final decision on the auditor appointments on or before 31 December 2022. Once the appointment is confirmed, Officers will begin work with our current external auditors to ensure a smooth transition for 2023/24.

2.4.6 The PSAA have noted that the bid prices received in the procurement reflect a significant increase in the current audit fee. In Autumn 2023 the PSAA will consult on the scale fee for 2023/24. However, authorities are advised to anticipate a ‘major reset’ involving an increase of around 150% on 2022/23 fees. The PSAA have raised the impact of this cost pressure on local authorities with the Department of Levelling Up, Housing and Communities (DLUHC) whilst also recognising the importance of a well funded audit system which is exposed to significant recruitment, retention and regulatory risks.

3 Policy/Budget Reference and Implications

3.1 The recommendations in this report are within the Council’s agreed policy and budgets.

4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

4.1 None specific.

5 Recommendation

5.1 The Audit Committee is recommended to:

In relation to the 2019/20 Statement of Accounts:

- Approve the Statement of Accounts for 2019/20 subject to any final adjustments by the Section 151 Officer (Director of Finance)
- Agree that the Section 151 Officer be delegated to finalise the Statement of Accounts for 2019/20 in consultation with the Chair of the Audit Committee
- Agree that the Committee authorise and instruct the Chair to sign the Statement of Accounts for 2019/20 once finalised and signed by the Section

151 Officer to confirm that the Statement of Accounts presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year
- Approve the Letter of Representation for 2019/20 and agree to delegate to the Section 151 Officer and Chair of the Audit Committee to make any necessary changes resulting from the conclusion of the audit.

In relation to the 2020/21 and 2021/22 Statement of Accounts:

- Note the latest timetable for completion of the external audit of the statement of accounts for 2020/21 and 2021/22.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: None used in the preparation of the report

Background Papers

Statement of Accounts report to Audit Committee July 2022

APPENDICES / ATTACHMENTS

Appendix 1 – Draft Statement of Accounts 2019/20

Appendix 2 – Draft Letter of Representation 2019/20

Maria Grindley
Ernst & Young
Apex Plaza
Forbury Road
Reading, RG1 1YE

Xx December 2022

Dear Maria,

This letter of representations is provided in connection with your audit of the financial statements of Three Rivers District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Three Rivers District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 July 2022
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 30 July 2019, the date of our last management representation letter, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 36 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note 40 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Director of Finance)

(Chair of the Audit Committee)



ITEM 7 – AUDIT COMMITTEE – 8 DECEMBER 2022 PART I - DELEGATED

Three Rivers District Council Audit Committee Progress Report 8 December 2022

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 25 November 2022
- Agree changes to the implementation dates for 8 audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 6
- Agree removal of implemented audit recommendations (Appendices 3 to 6)

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 - 1.1 Purpose of Report
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 Audit Recommendations
 - 2.6 Proposed Audit Plan Amendments
 - 2.7 Audit Plan Delivery Progress
 - 2.10 Service Update and Current Plan Delivery Position

Appendices

- 1 Progress against the 2022/23 Audit Plan
- 2 2022/23 Audit Plan Projected Start Dates
- 3-6 Progress against Outstanding Internal Audit Recommendations
- 7 Assurance and Priority Levels

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2022/23 as at 25 November 2022.
- b) Proposed amendments to the approved 2022/23 Annual Audit Plan.
- c) Implementation status of all previously agreed audit recommendations from 2018/19 onwards.
- d) An update on performance management information as at 25 November 2022.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2022/23 Annual Audit Plan was approved by Audit Committee on 29 March 2022.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 29 September 2022.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 At 25 November 2022, 35% of the 2022/23 Audit Plan days had been delivered (calculation excludes unused 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 Two reports have been finalised since September Audit Committee, both related to the completion of grant or funding certifications.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
DFG Capital Grant Certification	October 2022	Unqualified	None
Green Homes Grant	October 2022	Unqualified	None

All Priority Audit Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when agreed by Management. This includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at 25 November 2022, with full details given in appendices 3 to 6:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	Percentage implemented %
2018/19	38	37	0	1	97%
2019/20	37	35	2	0	95%
2020/21	25	23	0	2	92%
2021/22	36	28	3	5	78%

- 2.5 Since 29 September 2022 Audit Committee, extension to implementation dates have been requested by action owners for eight recommendations as follows:

- One from the 2018/19 Benefits audit,
- One from the 2020/21 Garage Income audit,
- One from the 2020/21 Debtors audit,
- One from the 2021/22 Equalities & Diversity audit,
- One from the 2021/22 Main Accounting audit,
- One from the 2021/22 Cyber Security audit,
- One from the 2021/22 Complaints Handling audit,
- One from the 2021/22 Creditors audit.

Proposed 2022/23 Audit Plan Amendments

- 2.6 There are no changes to the 2022/23 Three Rivers District Council or Shared Services Audit Plans proposed within this progress report.

Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current situation in terms of progress against the projects in the 2022/23 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.

2.8 The 2022/23 Annual performance indicators and targets were approved by the SIAS Board in March 2022. Actual performance for Three Rivers District Council (including the Shared Services Plan) against the targets that are monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target to 25 November 2022	Actual to 25 November 2022
1. Internal Audit Annual Plan Report – approved by March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	N/A	Yes
2. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excluding unused contingency)	95%	40% (90 / 224.5 days)	35% (79.5 / 224.5 days)
3. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	35% (7 out of 20 projects to draft)	25% (5 out of 20 projects to draft)
4. Client Satisfaction* – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	95%	100%	100% (based on two received)
5. Chief Audit Executive’s Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	N/A	Yes

2.9 With regard to performance indicator 3 (project delivery) in the above table, the projects not yet at draft report stage that were originally expected to be completed at this point in the year are Sundry Debtors and NDR.

Sundry Debtors was scheduled to commence in late September and be completed by the end of October and NDR was expected to start in early October and be completed by mid-November. At the time of writing this report, the Sundry Debtors audit was in fieldwork and is expected to be at draft report stage in mid-December and the NDR audit has been scoped but the fieldwork has not yet been able to start and therefore the estimated date of completion is not currently known. The delays are a result of the Service not providing requested system reports and information in a timely manner.

Service Update and Current Plan Delivery Position

- 2.10 As reported above, SIAS are currently behind profile for both billable days and projects delivered to draft report status. In respect of the above, 2022/23 has been a significantly challenging year for SIAS in relation to recruitment and retention, with as many as 6 FTE vacancies (36% of the establishment) during earlier periods of the financial year. Whilst this has now reduced to 4.5 FTE (25% of the establishment), the specialist nature of Internal Audit means that SIAS are competing with the private sector to recruit to our higher-level roles, and this has proved challenging given the pay constraints Local Authorities operate under. In respect of the remaining vacancies, a further recruitment campaign is currently in progress. The internal audit market remains challenging across all sectors, and SIAS's experience has been replicated elsewhere. Our recruitment of trainee auditors has been successful, however our 'grow your own' strategy is a medium to long term solution and does not resolve immediate capacity challenges.
- 2.11 As Committee Members will be aware, SIAS operates as a partnership. The current resource gap within the partnership is 200 days. Whilst this would normally be allocated to SIAS's external delivery partner (currently BDO), they have now reached their delivery and resourcing capacity for the financial year. SIAS have therefore recently completed a procurement process to commission an additional external delivery partner for quarter four to assist in completion of the remaining projects, with this now at contract award stage.
- 2.12 It is also important to note that the delivery profile is not straight line, with the profile often impacted not only by delivery capacity, but also by the required timing of some audits, or where council departments at both Three Rivers and / or other SIAS partners have requested later start dates for audits. This is outside the control of SIAS. When considering the current delivery position, it is important to note that any projects that have had specific key deadlines, such as grant certifications, advice, or support for projects, have been prioritised and agreed deadlines met.
- 2.13 Based on current resource availability (including our external partner) and subject to the successful procurement of an additional partner, we would be able to provide assurance to the Committee that all audits within the 2022/23 have been allocated for completion before the end of the financial year. However, should the above procurement process be unsuccessful, additional vacancies occur, SIAS experience significant staff sickness, or there are client engagement issues in relation to the timing (or supporting the delivery) of audits, there would be a risk to the overall delivery of the 2022/23 audit plan.
- 2.14 The above position is subject to continual monitoring, and we are currently satisfied that all available mitigating actions have been taken forward to manage the above risks, and that any uncompleted projects could be concluded during April 2023 to support the Annual Assurance Opinion if required. However, regular updates will be provided to both

the Committee and the Council's Section 151 Officer as the remainder of the financial year progresses.

APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 25 NOVEMBER 2022

2022/23 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Key Financial Systems									
Council Tax (shared services plan)						10	BDO	2	Terms of Reference Issued – Fieldwork due to start in December 2022
Financial Reconciliations (shared services plan)						12	BDO	0.5	In Planning – Fieldwork due to start in February 2023
Fixed Asset Register (shared services plan)						10	BDO	0.5	In Planning – Fieldwork due to start in January 2023
RDR (shared services plan)						10	SIAS	3	In Fieldwork
Payroll (shared services plan)						12	SIAS	0	Due to start quarter 4
Sundry Debtors (shared services plan)						10	BDO	8	In Fieldwork
Treasury (shared services plan)						8	SIAS	0	Due to start quarter 4
Operational Audits									
Arts Council Recovery Fund Grant	Unqualified	-	-	-	-	3	SIAS	3	Final Report Issued
Business Continuity Planning						8	BDO	3	In Fieldwork
CIL Spend						8	SIAS	0	Due to start quarter 4
Contain Outbreak Management Fund Grant	Unqualified	-	-	-	-	0.5	SIAS	0.5	Final Report Issued

APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 25 NOVEMBER 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Development Management (pre-apps)						8	BDO	2	Terms of Reference Issued – Fieldwork due to start in December 2022
DFG Capital Grant Certification	Unqualified	-	-	-	-	2	SIAS	2	Final Report Issued
Housing Allocations	Substantial	0	0	0	1	10	SIAS	10	Final Report Issued
Housing Condition Surveys / HMOs						8	SIAS	2	Terms of Reference Issued – Fieldwork due to start in December 2022
Property Services						15	SIAS	1	In Planning – Fieldwork due to start in January 2023
Street Naming & Numbering						8	SIAS	0	Due to start quarter 4
Trees						10	SIAS	0	Due to start quarter 4
Green Homes Grant	Unqualified	-	-	-	-	3	SIAS	3	Final Report Issued
Contract Management									
No audits									
Shared Learning / Joint Reviews									
Shared Learning / Joint Reviews						4		2	Through Year
IT Audits									
Cyber Security (shared services plan)						15	BDO	0	Due to start quarter 4
To Be Allocated									

APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 25 NOVEMBER 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Unused Contingency (shared services plan)						4		0	
Follow-Up Audits									
Follow-up of outstanding audit recommendations						8		6	Through Year
Strategic Support									
2023/24 Audit Planning						5		0	Due to start quarter 4
Annual Governance Statement						3		3	Complete
Audit Committee						9		6	Through Year
Head of Internal Audit Opinion 2021/22						3		3	Complete
Monitoring and Client Meetings						7		4	Through Year
SIAS Development						3		3	Complete
2021/22 Projects Requiring Completion									
2021/22 Projects Requiring Completion (5 days TRDC plan / 7 days shared services plan)						12		12	Complete
TRDC TOTAL		0	0	0	1	130.5		58.5	
SHARED SERVICES TOTAL						98		21	
COMBINED TOTAL		0	0	0	1	228.5		79.5	

Key to recommendation priority levels:

C = Critical, H = High, M = Medium, L = Low

APPENDIX 2 2022/23 AUDIT PLAN PROJECTED START DATES

Oct	Nov	Dec	Jan	Feb	Mar
	Property Services In Planning	Development Management Pre-apps Terms of Reference Issued	Treasury (Shared services plan)		
		Housing Condition Surveys and HMOs Terms of Reference Issued	Payroll (Shared services plan) ***		

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* Development Management Pre-apps audit moved from August 2022 to December 2022 due to resourcing at BDO, our external partner. Service has now requested a January 2023 start date.

** Housing Condition Surveys & HMOs audit moved from August 2022 to December 2022 due to staff absence in SIAS.

*** Payroll audit moved from November 2022 to January 2023 to match resource availability.

APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2018/19 AUDIT PLAN

Benefits 2018/19							
Final report issued April 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	We recommend that testing of the module is carried out to reinstate the ability to delete obsolete data.	Medium	<p>Position (21 August 2019)</p> <p>The system is designed to destroy all documents that are older than 6 years plus current. We discovered that the system was not working properly and has destroyed some documents that are still required to support live Benefit claims and therefore we need to retain. Clearly, we could not allow that to continue so the system was suspended. We have sought advice on how to fix this issue from the system provider and are awaiting their response. I have chased this today and have also now asked if it's possible to use the system in part so that we can carry on destroying old documents that we no longer require for Council Tax and Business Rates and unsuspend the Benefits part of the system once we have fixed the problem. I will escalate this issue in a week if I have not had a response.</p> <p>Position (October 2020)</p> <p>The required system upgrade was planned for the end of October but did not go live due to system performance issues. This is now expected in March 2021. Discussions are taking place with Northgate to see if an interim measure is available so that obsolete data can be removed from the system.</p> <p>Position (March 2021)</p> <p>We are on schedule to upgrade the information@work system 19/20 March 2021.</p>	Benefits Manager	31 May 2019	*	31 October 2019 30 June 2020 30 Sept 2020 31 March 2021 30 Sept 2021 30 November 2021 31 January 2022 15 March 2022 31 August 2022 31 October 2022 30 November 2022

APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2018/19 AUDIT PLAN

Benefits 2018/19							
Final report issued April 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 27			<p>Once it's upgraded, we can re-test the retention and destruction module.</p> <p>Position (June 2021) The system upgrade planned for March 2021 did not go-ahead as we had limited time to carry out testing and were not in a position to be able to sign off the product. A new go-live date has been set for 7/8 September 2021 and testing has commenced.</p> <p>Position (September 2021) We currently are unable to upgrade due to not having a fully operational Test system. All parties are in communication and are trying to identify the issue so that we can progress with testing.</p> <p>Position (November 2021) The upgrade to our Document Processing System is now scheduled to take place on 20 & 21 January 2022. Revs and Bens have been working with our IT department and our supplier to overcome the problems we had with the test system. Testing is scheduled to start this month (November 2021).</p> <p>Position (March 2022) The long awaited upgrade took place on 04.02.22. We are now amending the scripts that will destroy the old documents. The scripts are being amended to do two things that they did not do before: 1. To look for claims that have an outstanding housing benefit overpayment but a non-live housing benefit claim, and 2. Live housing benefit claims.</p>				

APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2018/19 AUDIT PLAN

Benefits 2018/19							
Final report issued April 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 28			<p>Where the script identifies claims under 1 & 2 no documents will be destroyed regardless of their age as they may be required for audit, for fraudulent investigations and for recovery of overpayments.</p> <p>Position (July 2022) The following update was provided before the date of the July Audit Committee meeting and requested a date extension to 31 August 2022.</p> <p>Consultancy is being arranged to assist with a complete re-write of the scripts to destroy unwanted documents. Whilst the writing and testing of a new script is in progress which will automate the whole process we will manually start identifying old documents and destroy them.</p> <p>Position (September 2022) Training on how to write the script required to make the retention & destruction module work took place on 12.09.22 (a re-write of the scripts was necessary as the original script could not be located and the officers who wrote and implemented the original scripts no longer work for the authority). We have a few matters to check in terms of the corporate retention polices and a few system parameters to check and then we can switch the module on. Once the script has run once we will know how many documents we have to destroy and how long it will take to destroy them all on the basis we can run the script for a couple of hours every evening and longer at the weekend.</p>				

APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2018/19 AUDIT PLAN

Benefits 2018/19							
Final report issued April 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position (November 2022) Some testing and prep work carried out, things were delayed a little due to delivery of the Energy Fuel Rebates and testing for a server migration. Going live week commencing 14.11.22 with a selection of document types which will be increased until all document types are included.				

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the Council review the systems used to maintain records of Council owned properties.	Medium	Agreed	Principal Property and Asset Manager	30 April 2021	*	31 December 2021
			Position (October 2021) The Council has recently appointed a permanent Head of Property Services & Major Projects and he is actively engaged in bringing himself up to speed with the Audit Report, its recommendations and the implementation of a new Corporate Property Management System.	Head of Property Services	Ongoing until April 2022	✓	See 'Resolved' column for details
			Audit Committee Members are advised that following the departure of former staff, previously involved with implementing the recommendations arising from the Property (Rent and Lease Administration) Audit from October 2019, there has been a considerable staff turnover within the Property Service since. The significant loss of knowledge from the organisation, combined with the previously identified impact of the Coronavirus Epidemic on overall Service Delivery, has further compounded the ability of staff coming into the Property Service, to maintain continuous progress on delivering the recommendations.	Head of Property Services	Ongoing until April 2022	✓	
			In more recent times, interim staff within the Property Service and colleagues from the Cross-Service Project Steering Group, have been able to actively progress the work towards adopting a new Corporate Property Management System. The adoption of such a new System will ensure that the audit recommendation will be fully met.	Project Information Board / Head of Property Services	March 2022	✓	
The revised implementation date reflects the timescales in which it is anticipated that key							

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 31			<p>stages for the implementation of the new Corporate Property Management System may be met.</p> <p>Position (March 2022) At the time of writing Officers are reviewing three submissions from four of the shortlisted Property Management System software providers. The fourth system was discounted for not providing a 'Cloud-based' option, which limits usage of the system to being on site/within the TRDC network – rather than being able to update the system from site.</p> <p>Of the three remaining systems being evaluated, all systems are very similar in the approach, functionality and appearance. The major difference is the pricing structure, but all provide a subscription model with support and hosting included. It is anticipated that the selection and appointment of the preferred Property Management System will occur w/c 21 March 2022. This will satisfy the initial intention to have a system in place by 31 March 2022.</p> <p>As has been previously stated, the full population of the PMS will take around 18 months, but priority is being given to the garage management process, which will transfer from the Capita Housing system. It is anticipated that both the new PMS system and the old Capita Housing system will be operated and updated in tandem, as part of the live testing process for the first 1-2 months – once Officers are satisfied that the PMS system is</p>	Head of Property Services / Project Steering Group	31 March 2022	✓	

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 32			<p>operating correctly, the use of the Capita Housing system will be discontinued.</p> <p>An extract of data held in the Capita Housing system (garages) has been successfully completed, with a reporting tool produced to allow future extract reports to be run by TRDC Officers. The data extract has enabled the creation of a 'sandbox' for the Capita 360 Managed Direct Debit which can be operated in a test environment. A further extract report will be re-run once the testing has been completed, in readiness for the 'go live' of the garage direct debit call on 1 April.</p> <p>Position (July 2022) The Trace (Bluebox) Property Management System 'Trace' was acquired on 31 March 2022. After an extensive procurement process, Trace was chosen as it best satisfied the brief and provided a system accessible for casual users (Customer Services Team) and professional users (Property Services). The test databases were uploaded to Traces' cloud-hosted servers and training on how to operate the system has commenced with a number of Officers from the wider Project Team.</p> <p>The Capita 360 Managed Direct Debit system went live on the 1 April 2022 and has successfully been collecting and processing garage rent payments since that time. This workstream is now complete.</p>				
					31 March 2022	✓	

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 33			<p>Our appointed Trace Project Manager has helped to determine how the data from the Capita Academy System and that held on TRDC's Uniform Idox System can be uploaded into standardised templates, which will allow basic asset information, such as address and UPRN to be established on the system very quickly. As stated previously, Officers anticipate that to fully utilise the Trace system, manual data extraction and input will take up to 18 months.</p> <p>Position (September 2022) Following the July 2022 update, progress on the implementation of the Property Management System continues at pace. Data held on the Councils IDOX system has been identified and a bulk extraction & cleansing of that a data has commenced.</p> <p>Mapping data held on the Council's ArcGIS system and ownership data held by the Land Registry is being compared, so that an accurate, and up to date ownership 'layer' can be produced. Once completed, this work will significantly reduce the time taken to establish ownership of TRDC assets and respond to customers. The mapping data will be cross-referenced with the Property Management System so that changes in ownership, new lettings or lease terminations can be reflected in the mapping 'spatial' data (mapping layers).</p> <p>The priority since acquiring the Property Management System is to have the garage properties/tenant records populated and the</p>	Head of Property Services / Project Steering Group			

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 34			<p>system fully functional for garage management as soon as possible. The Project Team had set a target date of the end of October 2022 to reach that stage and we are well on track to meet that target.</p> <p>Position (November 2022) Basic data on TRDC's property assets is currently being added to the Trace 'upload' spreadsheets and this work is likely to be concluded by the end of 2022. A data extract report is being downloaded from the IDOX system and any useful information will be added to the Trace spreadsheet for uploading to the system.</p> <p>A complete ownership layer of assets and unregistered assets has been created by the Council's GIS Officer. This is a major step forward in being able to visually identify land owned or occupied by TRDC, without the need to download Land Registry Office Copies. The next stage is to correlate the data held on the GIS system with data being uploaded in the Trace system – these are likely to be linked by reference to the UPRN (Unique Property Reference Number).</p> <p>The garage management aspect of the Property Management System is now operational. This follows an intensive period of data-loading, testing and training. CSC colleagues are now getting to grips with the new system in order to manage the Council's garage estate. Minor</p>	Head of Property Services / Property & Legal Services Teams	31 January 2024	* On target	

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			improvements and amendments will e made in the coming weeks and months, but this stage marks a major milestone in the roll out of the Property Management System.				
02	We recommend that the Council explore what reports are available from the systems in place to better inform property activity.	Medium	<p>Agreed</p> <p>Position (October 2021) For similar reasons to those identified within the response to Recommendation 1 above, the request for an extension and the need to revise implementation dates to meet this audit recommendation for - exploring and improving Property Management System Reports available, to better inform property management activity - reflects the anticipated timescales to satisfy this Audit Recommendation and are intrinsically linked to the adoption of a new Corporate Property Management System. As above, these audit recommendations are being actively progressed by the new Head of Property Services and Major Projects and the Cross-Service Project Steering Group, as a required, identified outcome from the adoption of a new Corporate Property Management System.</p> <p>Position (March 2022) The recent demonstrations provided by the four shortlisted Property Management System Software Providers has indicated that all systems are capable of providing standardised reports or user-defined, bespoke reporting. Any information held within the PMS can be</p>	Principal Property and Asset Manager	30 April 2021	*	

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 36			<p>extracted and reported upon. For example, this could include data on occupancy, rent collection or forthcoming lease events (rent reviews/lease renewals).</p> <p>Many of the systems can also report on performance measures, such as the % of rent reviews/lease renewals completed on time, or the timeliness of rent collection and arrears recovery, to the completion of planned repairs.</p> <p>As indicated in the response to recommendation 1 above, the use and roll out of reporting will be directly linked to the population data within the Property Management System. It is anticipated that full system data population will take around 18 months from the date the system becomes operational with TRDC.</p> <p>Early priority will be given to rent collection and occupancy reporting, with a broader reporting regime being developed around the timeliness of lease event completions. As this project has progressed, many initial Audit recommendations have developed into their own specific work streams – the same is true of this aspect and the completion of this recommendation will continue to be delivered in phases into the next financial year – this is why the deadline is being revised.</p> <p>Position (July 2022) As per the previous update. We have since acquired the use of the Trace system and understand that it has an extensive suite of</p>				

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 37			<p>evaluation and performance management tools. The system is used by major investment companies, commercial property agencies and other Local Authorities and has been designed to report on almost any possible bespoke reporting basis, whilst utilising a suite of standard reports (e.g. % rent arrears, £ rent arrears, % occupancy, £ return on investment, etc.).</p> <p>Position (September 2022) The work to satisfy this recommendation remains on track. As previously indicated, until the Property Management System is fully populated with all property data we will be unable to unlock the full reporting power of the system, however, given the progress in relation to the garage estate (comments in connection with recommendation 1 above), we should be in a position to run performance reports from November 2022.</p> <p>Position (November 2022) With the garage asset data now populated on the Property Management System the first stage of enhanced reporting can be rolled out. The Property Management System is capable of producing very detailed, bespoke reports or generalised reporting. The Property & CSC Teams will be exploring and testing the reporting capabilities in further detail over the coming months and this experience will also help to when the commercial estate data is uploaded onto the Trace system.</p>	Property Services Team	Before 31 March 2023	* In progress	

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	We recommend that the Council draw up a brief procedural guidance, with templates if necessary, to ensure the completeness of the property records held.	Low	<p>Agreed</p> <p>Position (September 2021) Production of appropriate "In-House" Guidance/Templates on future on-going regular maintenance, review & updating of Property Records to ensure completeness & accuracy of same, included in Proposed Project Implementation Plan.</p> <p>Requirement for provision of Property System Manuals/Guidance & appropriate Software Supplier support for operation, maintenance & updating of new Property System(s) included in Proposed Project Implementation Plan & will ultimately be included in Outcome Based System Specification.</p> <p>All necessary Guidance/Support to be available as new Property System(s) become operational.</p> <p>Position (November 2021) As above.</p> <p>Position (March 2022) As part of the implementation of the Property Management System and linked with recommendations 1 & 2 above, the garage management processes are currently being mapped so they can be linked to the Granicus system and provide a streamlined process for customers wishing to apply, cancel, raise a repair or make changes to their garage tenancies.</p>	<p>Project Steering Group</p> <p>Project Steering Group</p> <p>Project Steering Group</p> <p>Property Services Team /CSC Team</p>	<p>September 2021</p> <p>October 2021</p> <p>March 2022</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>31 March 2022</p>

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 39			<p>A full suite of Procedural Notes will be developed and adopted. These will also include flow diagrams, illustrating how rent reviews/lease renewals/requests for alterations/terminations and new lettings, etc. can be undertaken.</p> <p>This task had been allocated to a member of the Property Services Team, unfortunately that individual has just resigned. At the time of writing a temporary appointment is about to be made and this task will be reallocated for completion with a revised deadline of 31 May 2022.</p>				
			<p>Position (July 2022) New Granicus processes for our garage estate have been published to the TRDC website, allowing garage tenants to apply for a garage, terminate a tenancy, request a repair and request a replacement key. These processes significantly improve the workflow between the back office functions and streamline the dealing with the requests – outwardly our customers should find the process much easier, less bureaucratic and significantly more user friendly.</p>	Property Services Team /CSC Team	31 May 2022	✓	
			<p>Now that the Trace system has been acquired new processes and workflows for estates management functions will be designed around the use of the Trace system. Officers have already begun to develop a formalised Legal Instruction process. Going forward processes will be developed in relation to lease activities (reviews/renewals/breaks) and</p>	Property Services Team	31 May 2022	✓	31 October 2022

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 40			<p>rental activities (arrears/invoicing/statements of account), with the Trace system supporting a calendar function to ensure the timely exercise of tasks.</p> <p>The deadline has been extended to accommodate integration of Trace functions into our standard processes and workflows.</p> <p>Position (September 2022) This recommendation is influenced by how the Trace system handles and processes data. Now that we have a greater understanding of how the system works and its conventions, we have been able to better tailor the development of a suite of Procedural Notes. We remain on track to complete this task by the deadline of 31 October 2022.</p> <p>Position (November 2022) A suite of procedural notes have been produced to assist the Property Team with the management of various tasks. These will be refined over the coming months as the Property Management System is populated with additional data. Officers will be able to make use of the 'calendar' function within the Property Management System to provide early alerts to upcoming tasks. We plan to refine our processes and align them more closely with the greater use of the Property Management System and the customer interface provided by the Granicus system.</p>				

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Risk Management 2019/20							
Final report issued June 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	<p>The Council should ensure that new starters are identified and that those in key risk management positions are also identified and appropriate training provided.</p> <p>Refresher risk management training should be provided on an annual basis to those in key positions.</p>	Medium	<p>Agreed - A new e-learning package will be prepared and made available for all staff.</p> <p>Position (June 2020) In progress</p> <p>Position (September 2020) In progress.</p> <p>Position (October 2020) No update provided.</p> <p>Position (March 2021) No update provided.</p> <p>Position (June 2021) A new e-learning package is being drafted and should be available by September 2021.</p> <p>Position (September 2021) No update provided.</p> <p>Position (November 2021) E-Learning package will go live in January 2022 and will be a mandatory course for all staff.</p> <p>Position (March 2022) No update received.</p> <p>Position (July 2022) No update provided.</p> <p>Position (September 2022) No update provided.</p>	Emergency Planning and Risk Manager	31 December 2020	✓	<p>30 Sept 2021</p> <p>31 January 2022</p>

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Risk Management 2019/20							
Final report issued June 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position (November 2022) The e-learning package is now published and available for staff.				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the service should have written procedure notes for the raising of invoices to provide clarity and consistency.	Medium	<p>The Property service is in the process of acquiring a new database system. The procedure notes will be completed once the new system is in use.</p> <p>Position (October 2021) The Customer Services Centre (CSC) manages the council's garage tenancies on behalf of the Property Services Department. Prior to the Garage Income Audit, due to the supplier's (Capita) decision to de-support the garage management system, the council had made the decision to purchase a new Corporate Property System. Any new system will to require a new invoice generation process to be written.</p> <p>It was recommended that once a new system had been procured and implemented that the process for garage invoice generation would be documented by the CSC. Audit Committee Members are advised that following the considerable turnover of staff within Property Services the procurement of a new Property System has not progressed within the expected timescales. However, the Council has recently appointed a permanent Head of Property Services & Major Projects who is actively progressing the work towards the adoption of a new Corporate Property System, including a garage tenancy management system.</p> <p>The revised implementation date reflects the timescales in which it is anticipated that key stages for the implementation of the new</p>	Customer Services Manager	31 May 2021	*	<p>30 Sept 2021</p> <p>28 Feb 2022</p> <p>31 May 2022</p> <p>30 Sept 2022</p> <p>31 January 2023</p>

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 44			<p>Corporate Property Management System may be met, and therefore, the CSC would be able to complete the documentation of the garage invoice generation process.</p> <p>Position (March 2022) As with progress on the Corporate Property Management System (CPMS), the utilisation of the Capita 360 Managed Direct System is in the final testing phase, with the 'go live' date of 1 April 2022.</p> <p>Officers have been 'process mapping' the various activities that support the management and administration of the garage estate. This work will underpin the completion of the recommended Audit action.</p> <p>The existing Capita Housing System, which is used to operate the garages will continue to function in tandem until the CPMS is populated with garage data and will be used as the primary rent accounting system in conjunction with the Capita 360 system for rent collection.</p> <p>The preferred supplier for the CPMS will be decided within the next fortnight and then work to address and satisfy the Audit recommendation can be concluded.</p> <p>Position (July 2022) Currently the new Paye360 system is now in place and all garage tenants have to be signed up for Direct Debit payment. The opening year's bill is sent out in March every year to inform of any possible annual</p>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 45			<p>increases/changes, total amount of the full year's garage rent, and the breakdown of instalments for this amount to be taken throughout the financial year (like Council Tax)</p> <p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p> <p>Currently we have been advised that the new system has a launch scheduled for September 2022 and once the system is up and running procedure notes will be created.</p> <p>Position (September 2022) Currently the new Paye360 system is now in place and all garage tenants have to be signed up for Direct Debit payment. The opening year's bill is sent out in March every year to inform of any possible annual increases/changes, total amount of the full year's garage rent, and the breakdown of instalments for this amount to be taken throughout the financial year (like Council Tax).</p> <p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 46			<p>The new system is in the process of being configured so that the data transfer upload can take place from the current system. The aim is that the new system will be ready to launch within September 2022 and once the system is up and running procedure notes will be created.</p> <p>Position (November 2022) Currently the new Paye360 system is now in place and all garage tenants have to be signed up for Direct Debit payment. The opening year's bill is sent out in March every year to inform of any possible annual increases/changes, total amount of the full year's garage rent, and the breakdown of instalments for this amount to be taken throughout the financial year (like Council Tax)</p> <p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p> <p>Due to delays with the data transfer the revised timescale is for the system to be live within December 2022 and once the system is up and running procedure notes will be created.</p>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Debtors 2020/21							
Final report issued June 2021							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Consideration should be given to an annual review of debtor accounts to identify duplicate or dormant for deletion or deactivation.	Low	<p>Position (July 2021) We will speak to Finance about the best way of doing this.</p> <p>Position (September 2021) A complete review of the entire Sundry Debtor service has recently been commenced and this will be included as part of the review.</p> <p>Position (November 2021) This work is about to start now that the write-off work for Sundry Debts is complete. The whole review of Sundry Debts is still in progress.</p> <p>Position (March 2022) / Position (July 2022) No update provided.</p> <p>Position (September 2022) Finance are going to run and extract this data from the Finance System which Revs & Bens will then check. It may be completed before 30October 2022, it really depends on how many are on the list.</p> <p>Position (November 2022) The lists were provided by Finance mid-September but work has not yet commenced as the entire Revs and Bens Service was delivering the Energy Fuel Rebate payments. Work will commence on the lists, week commencing 14.11.22.</p>	Recovery Team Leader, Revenues Manager and Finance.	31 August 2021	*	<p>31 October 2021</p> <p>30 October 2022</p> <p>31 December 2022</p>

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Equalities & Diversity 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	The Comprehensive Equality Policy to be amended to detail that its review is to be conducted on a five-year cycle.	Low	<p>The five-year cycle was agreed as part of the Strategy and Policy register. The review is due to begin at the end of 2022 and therefore this will be updated in the new policy by March 2023.</p> <p>Position (July 2022) / (September 2022) As above.</p> <p>Position (November 2022) Census data is now being released and changes in population profile are being reviewed to inform the policy review.</p>	Head of Community Partnerships	31 March 2023	*	
03	The Council should ensure that it reviews its Equalities Objectives and publishes them before the end of 2022. This should be done next in 2026 and so on to re-establish a consistent four-year review cycle to ensure compliance with the Equality Duty.	Low	<p>The Objectives are currently under review and due to go to Equalities Sub Committee in June 2022 and then Policy and Resources Committee for approval. Due to the pandemic the objectives were not reviewed after 4 years, however we continued to work towards them.</p> <p>Position (July 2022) Revised Objectives have been considered and agreed with the Equalities Sub Committee and are programmed for consideration by Policy and Resources Committee on 18th July. Public Consultation was undertaken and the revised objectives were positively received.</p> <p>Position (September 2022) The new Equality Objectives were approved by Policy and Resources, as planned in July 2022 and were published as part of the papers for that committee.</p>	Head of Community Partnerships	30 September 2022	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Equalities & Diversity 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Position (November 2022) The new Equality Objectives were approved by Policy and Resources, as planned in July 2022 and were published as part of the papers for that committee. Link to Policy and Resources Cmmt papers</p>				
04	<p>The Council should create a more direct link between its current KPIs and its main strategic E&D objectives to monitor progress against these desired goals with increased scrutiny.</p> <p>The Council should draw from its current E&D KPIs, ones that contribute to achieving its strategic objectives, and performance against these indicators should be included in the Council's annual publication of its Equality Duty Information Report (EDIR).</p>	Low	<p>These will be included in the next publication in January 2023 and Annual performance indicator review this will be noted.</p> <p>Position (July 2022) Review of the Corporate Framework has begun and through that process and subsequent service planning the KPIs will be reviewed.</p> <p>Position (September 2022) As above.</p> <p>Position (November 2022) A new Equality Performance Indicator has been agreed with HR and will, subject to member approval, come into use in April 2023.</p>	Head of Community Partnerships and Performance and Projects Manager.	31 July 2022	*	<p>31 January 2023</p> <p>1 April 2023</p>

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Section 106 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend that the Land and Property Team review examples of information presented to members at other similar councils and identify what information is proportionate and appropriate to share with members (if any) to benchmark the information that could be shared. We then recommend that the team ask Members if they would like information to be circulated to them and what would be useful. This is to ensure the information is relevant and pertinent to members.</p> <p>Depending on the outcome of the above, we recommend that the Land and Property Team regularly report to Members with information they request.</p> <p>Furthermore, we recommend that corporate training is made available to ensure that the Land and Property Team can update the website as required.</p>	Low	<p>Information will be sent to Council Members on a quarterly basis via Members Information Bulletin. A review of information to be given to Members will be requested from other local authorities.</p> <p>Website training will be requested again to ensure that information can be updated as required.</p> <p>Position (July 2022) We are still considering what information would be of interest to Council Members. We have approached other local authorities in this respect, with mixed results. We are investigating information held by departments and how often this information is updated, to ensure that any information given is relevant, of benefit to Members and how often it should be reported. We will require a revised target in this respect. I would suggest that this is extended to the end of this financial year.</p> <p>Position (September 2022) The outstanding recommendation regarding notification of Section 106 information to Council Members is still being considered. It is important that up-to-date and informative information is given to Members in an easy to understand format and this is proving somewhat of a challenge. However, we are endeavouring to achieve this recommendation as soon as possible and at least within this financial year.</p> <p>Position (November 2022)</p>	Team Leader for Land and Property	30 June 2022	*	31 March 2023

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Section 106 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			We are continuing to speak to colleagues to ensure the information we have and share is transparent, clear and can be easily understood. We still currently hope to get something in place prior to the end of the financial year.				

Main Accounting 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03 Page 51	<p>We recommend that procedure notes are produced for feeder system reconciliations to enable them to be carried out correctly and checked in a timely manner.</p> <p>We also recommend that Benefits system reconciliations are signed and dated by another person in Finance.</p>	Low	<p>Procedure documents will be reviewed and updated/created as required.</p> <p>Timeliness of reconciliation will be monitored and managed as part of the tracking processes referenced in the response recommendation 2, above.</p> <p>Position (July 2022) On target.</p> <p>Position (September 2022) In progress and on target - target date is 31 October 2022.</p> <p>Position (November 2022) In progress – we have a reconciliation tracker and have most of the procedures notes however this has provided an opportunity to rework and improve a small</p>	Finance Section Head / Finance Systems Manager	31 October 2022	*	31 December 2022

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Main Accounting 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>number of processes, which is currently being done as part of this work.</p> <p>Target date is now 31 December 2022.</p>				
FM Buildings Compliance 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02 Page 52	<p>We recommend that the Facilities Manager generates monthly reports to an agreed level of management on the compliance rates on the following areas: Gas Safety Electrical Safety Fire Safety Legionella Safety Lift Safety</p> <p>The reports should outline the risk assessments undertaken, progress, outcomes, and any arising remedial actions. The remedial actions should have an assigned action owner and due date for completion.</p> <p>The reports should be reviewed by the Mechanical & Electrical Engineer to ensure accuracy and completeness.</p>	Medium	<p>The Facilities Manager will generate a monthly report to the Head of Property & Major Projects Justin Wingfield. A quarterly report will be made available to the Property Investment Board (PIB) which has the membership of all the SLT including the Chief Executive.</p> <p>Position (July 2022) TRDC Risk Management Group has restarted as a result Senior Management Team agreed this was a more appropriate platform to share the reports. These will be provided on a quarterly basis from September 2022. An annual report will be provided to Corporate Management Team in April each year.</p> <p>Position (September 2022) No update provided.</p> <p>Position (November 2022) Confirmed as Implemented</p>	Facilities Manager / Mechanical & Electrical Engineer	31 May 2022	✓	30 Sept 2022

APPENDIX 7 DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

Cyber Security 2021/22 Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>1.1 Management should ensure that appropriate monitoring controls are in place for the password monitoring and management activities. These should include but not be limited to the following:</p> <ul style="list-style-type: none"> • brute-forcing of account passwords including password spraying, • login attempts from unexpected geographic areas, • unexpected account lockouts • password database for the deny list hashes, • other unusual behaviour from users. <p>1.2 The above proposed controls, once in place, should be actively reported upon, through the periodic cyber security reports, to the senior management.</p>	Medium	<p>01 Mar 2022 the Azure AD Password Protection was implemented. Users will not be able to change passwords to weak passwords nor known passwords nor passwords from our Ban List of password.</p> <p>1.1 – requires a third-party tool and associated funding would be required. The implementation of the password protection for Azure AD lowers the risk.</p> <p>1.2 - this would be dependent on the ability to fund with a third-party tool – 1.1.</p> <p>Position (July 2022) Third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position (September 2022) 1.1 - Third party tools have been evaluated and Netwrix has been selected as the preferred tool.</p> <p>1.2 – Netwrix had demonstrated the tool in detail and a 30-day trial to test the system further is available.</p> <p>1.3 – Quotation for 1- and 3-year option has been provided.</p> <ul style="list-style-type: none"> • 1-year option - £7,806 • 3-year option - £16,483 <p>1.4 – Implementation of the tool will be dependent on the ability to fund the third-party tool, this will require an approval by ITSG for an additional spend. A paper to review this</p>	Head of ICT	31 March 2023		31 March 2024

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22 Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Management should conduct regular monthly vulnerability scans across the entire IT estate including endpoint, to identify and mitigate vulnerabilities including software flaws, missing patches, misconfigurations and malwares.	Low	<p>recommendation and request any growth in budget 2022.</p> <p>Position (November 2022) 1.1 – Due to the audit which was performed by DLUHC, the scope of the security posture has extended. The grant to address the sections of the new recommendations within the scope has been successfully secured. 1.2 – The evaluation of the third-party tool has been extended, due to the new requirements within the scope presented post the DLUHC audit. 1.3 The new proposed completion dates recommended by DLUHC is end of Q4 March 2024.</p>				
			<p>This would require additional budget and would need a growth item approved, as there are licence implications for the Qualys scanner.</p> <p>Position (July 2022) Extension of current third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position (September 2022) 1.1- Third party Qualys had introduced a new module which will enable the management of remote devices through the cloud.</p> <p>1.2 – Both options are currently being evaluated and costed. Decision made will be based on cost, functionality, and management.</p> <p>Position (November 2022)</p>	Head of ICT	31 March 2023		

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>1.1 – Due to the allocation of a new Account Manager at Qualys and the changes within the licensing structure, Qualys are currently reviewing the proposed quotation to align the requirements with the new licensing structure.</p> <p>1.2 – Workshop with Qualys has been scheduled to discuss the new proposed licensing structure and the modules which are required to enable the management of the devices remotely through the cloud and not relaying on the VPN.</p>				

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Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that when a complaint is received, it is not only forwarded to the Head of Service but also to the designated complaints officer within the service.</p> <p>The officer should then immediately log the complaint on Firmstep and monitor timescales through to resolution. This would give the designated officer more context into the complaint and allow them to help adhere to the Council's prescribed timescales for dealing with complaints. Additionally, we</p>	High	<p>Complaints to be communicated to the Designated Complaints Logging Officer as well as Head of Service/Complaints Officer at time of receipt. Discussions to take place with Departments to find the best way of delivering this across platforms. If via Enquiries email then CSC will email to the designated officer as well as the Head of Service. Logging Officer then responsible with logging the complaint in a timely manner and monitor timescales until resolution. Head of Service/Complaints Officer to send Logging Officer response so complaint can be closed asap on Firmstep.</p> <p>Position (July 2022)</p>	Customer Service Centre Team Manager	31 October 2022	*	<p>30 November 2022</p> <p>31 January 2023</p>

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
Page 56	recommend that when a complaint is resolved this is noted immediately on Firmstep to ensure accurate information is available.		<p>We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>Position (September 2022) We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>This revised Compliments & Complaints policy is going to P&R Committee in November and will be put in place following approval.</p> <p>Position (November 2022) The new complaints and vexatious complaints policies were agreed at P&R on 7th November which are now live.</p> <p>Work is taking place in the creation of a new Corporate Complaints Procedure. These should be circulated by January 2023.</p>				

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 57	Each service should receive a breakdown of complaints received to identify and lessons learnt. This could be aligned to normal reporting arrangements.	Medium	<p>Two reports are submitted to CMT at the end of 6-month periods which breaks down complaints stats and any action and learning and recommendations. Discussions to take place to decide how best to deliver this. Ideas can be emailed out to all Head of Services/Complaints Officers/Logging Officers after being presented at CMT or reports can be available on the X:Drive to access by the officers.</p> <p>Position (July 2022) Complaints breakdown reports will be issued to all Departments Head of Service.</p> <p>Position (September 2022) Complaints breakdown reports will be issued to all Departments Head of Service.</p> <p>Position (November 2022) Complaints breakdown reports are now being sent to all Departments Head of Service. The 2022 Q1&2 Report was sent to Departments Head of Service in November 2022. This will align with the normal reporting arrangements and will be sent in April (for Q3&4) and October (for Q1&2) going forward.</p>	Customer Service Centre Team Manager	31 October 2022	✓	

Contract Waivers 2021/22							
Final report issued June 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend Procurement and Legal advice is sought (and recorded)	Medium	This will need discussion with Leadership Board (WBC) / Corporate Management Team	End of September	30 September 2022	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Contract Waivers 2021/22							
Final report issued June 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	on the corporate form) before waivers are raised and sent to management for approval.		(TRDC) and if agreed amendment to the existing firmstep forms. Position (July 2022) Not yet due. Position (September 2022) No update provided. Position (November 2022) The amendment of the form has been investigated and does not seem practicable. Requested a comments box for completion from Legal and Procurement. This is in development.	discussion with Leadership Board / Corporate Management Team			
02	A tracker should be established to record the waiver process and waivers should remain "open" until all relevant evidence is received from services to demonstrate compliance with the Contract Procedure Rules. An annual waivers report should be produced for senior management and members at both authorities to ensure there is accurate and transparent reporting of waiver activity.	Low	The shared service procurement manager should now receive copies of all exemptions. Agree to prepare an annual waivers report for both authorities. Position (July 2022) Not yet due. Position (September 2022) No update provided. Position (November 2022) This has been produced for both authorities in the Annual spend report.	Procurement Manager	31 March 2023	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend:</p> <ol style="list-style-type: none"> The Council creates a policy/procedure covering the use of CHAPS and Faster Payments. This will include: <ul style="list-style-type: none"> The criteria which must be met to use CHAPS and Faster payments, The process for requesting and approving these payments, Which officers can request and approve these payments and how delegated limits will be set. The Council updates the Payment Voucher request procedure to outline the types of payments which are eligible and ineligible to be made using this method. The policy and procedures for CHAPS, Faster Payments and Payment Vouchers are communicated/re-communicated to all relevant staff across the Council (e.g., in a corporate communication) and placed on key staff systems such as the Intranet for reference 	Medium	<p>A process note for CHAPS and Faster Payments will be written along with a scheme of delegation, agreed by S151 Officer and published on the intranet.</p> <p>Agreed and will be published as per the above.</p> <p>Agreed they will be published on the intranets and a communication to all staff.</p> <p>Position - July 2022 Not yet due.</p> <p>Position (September 2022) 1 is resolved ✓ process note created. 2 is resolved ✓ process updated.</p> <p>3 We will publish revised note and new note on the intranet along with Delegated authority listings.</p> <p>New deadline: 31 October 2022</p> <p>Position (November 2022)</p>	Finance Manager (Systems)	26 August 2022	* - part 1 and 2 resolved. Revised deadline for part 3.	<p>31 October 2022</p> <p>31 December 2022</p>

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Process notes have been written.</p> <p>There are issues with intranet, so these will be circulated by email,</p> <p>Delegated authority lists to be run and agreed.</p> <p>Again, there are issues with intranet so these will be published when intranet issues resolved.</p>				

Benefits 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	We recommend that the number of officers with administrator privileges on the Academy system should be restricted to a minimum number of individuals to preserve the integrity and security of the system.	Low	<p>Agreed.</p> <p>Position (July 2022) Not yet due.</p> <p>Position (September 2022) This is being done under a complete review of all users permissions not just those with admin rights. It is 80% complete.</p> <p>Position (November 2022) Completed</p>	Data & Performance Manager	31 July 2022	✓	30 September 2022

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Page 6	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
Priority Level	Definition
Corporate	Critical
	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.

APPENDIX 7 ASSURANCE AND PRIORITY LEVELS

Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

AUDIT COMMITTEE – 8 DECEMBER 2022

PART I - DELEGATED

8. TREASURY MANAGEMENT MID-YEAR REPORT 2022/23 (DoF)

Summary

- 1.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers performance against the Council's Capital Strategy and Treasury Management Policy.
- 1.2 The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.

2. Details

- 2.1 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:
 - i. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - ii. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - iii. 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.
 - iv. 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.
 - v. 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 the Audit Committee.
- 2.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
 - An economic update for the first half of the 2022/23 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's borrowing strategy for 2022/23;
 - A review of compliance with Treasury and Prudential Limits for 2022/23;
 - A review of the Council's investment portfolio for 2022/23.

2.3 *Economics and interest rates*

2.3.1 The second quarter of 2022/23 saw:

- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation rise to 9.9% year on year in August, having been 9.0% in April, with 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 on 23 September.

2.3.2 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 have been provided by Link Group and are based on the Certainty Rate (the standard rate minus 20 bps). The Certainty Rate has been available to local authorities since 1 November 2012 subject to an annual application. Watford Borough Council is able to access the Certainty Rate for 2022/23.

2.3.3 The latest interest rate forecast, dated 27 September, sets out Link Group's view that both short and long-dated interest rates will remain elevated for some time:

“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.”

2.3.4 The bank rate is expected to peak in March 2023 and halve over the following 30 months while PWLB will peak earlier in December 2022 and fall back more gradually:

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

2.3.5 Further information, provided by Link Group, about the economic context during the first six months of 2022/23 is provided in Appendix 1 – Economics Update.

2.4 Capital Investment Strategy Update

2.4.1 The Capital Strategy, containing the Treasury Management Policy for 2022/23, was approved by Council on 22 February 2022.

2.4.2 Although there has been a significant shift in the external operating environment, there are no policy changes to the Capital Strategy and Treasury Management Policy.

2.5 The Council's Capital Position (Prudential Indicators)

2.5.1 The Council's capital expenditure plans are one of the key drivers of treasury management activity. This table shows the revised estimates for capital expenditure and expenditure to 30 September 2022 against the capital programme agreed at the Budget in February 2022. The total forecast capital investment for 2022/23 is £18.423m compared to an original budget of £7.038m. Variances to budget are set on in the Council's Financial Monitoring Report.

Prudential indicator for Capital Expenditure:

Committee	Original Budget 2022/23 £'000	Actuals to 30 September £'000	Forecast Year End Position 2022/23 £'000
Leisure, Environment and Community	3,718	673	4,112
Infrastructure, Housing and Development	1,633	396	1,842
Policy and Resources Committee	1,687	211	1,646
Major Projects	0	360	10,823
Total	7,038	1,640	18,423

2.5.2 The table below sets out how the capital investment for 2022/23 will be financed:

Funding	Original Budget 2022/23 £'000	Forecast Year End Position 2022/23 £'000
Grants & Contributions	586	665
Reserves	2,506	2,506
Capital Receipts	1,100	1,100
Section 106 & CIL Contributions	722	792
Borrowing (Internal & External)	2,124	13,360
Total Capital Funding Applied	7,038	18,423

2.5.3 The borrowing element of the table increases the underlying indebtedness of the Council which is expressed as the Capital Financing Requirement (CFR). The net

increase in CFR will be lower after taking into account revenue charges for the repayment of debt (the Minimum Revenue Provision).

- 2.5.4 The latest forecast for the CFR, which is the underlying need to borrow for a capital purpose, is set out in the table below. The reduced forecast for the CFR reflects the forecast reduced need to borrow for capital investment in 2022/23. It also shows the expected debt position over the period, which is termed the Operational Boundary.

2022/23	Original Estimate £'000	Current Position £'000	Revised Estimate £'000
Prudential indicator - Capital Financing Requirement:			
Capital Financing Requirement	34,550		45,786
Net Movement in CFR	2,769		14,005
Prudential indicator – the Operational Boundary for external debt:			
Borrowing	37,000	8,000	20,000
Finance Lease Liability	0	0	0
Total debt (year end position)	37,000	8,000	20,000

Note the CFR may be subject to restatement following the conclusion of the 2019/20 and 2020/21 external audit.

- 2.5.5 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 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. Where external borrowing is below the underlying need to borrow, this is financed in the short term through internal borrowing. This currently forecast to be £25.786m at year end.

2022/23	Original Indicator £'000	Revised Indicator £'000
Capital Financing Requirement	37,000	45,786
Gross External Borrowing	8,000	20,000
Internal Borrowing	29,000	25,786

- 2.5.6 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.

Prudential indicator – the Authorised Limit for external debt:

2022/23	Original Indicator	Current Position	Revised Indicator
	£'000	£'000	£'000
Borrowing	39,000	8,000	25,000
Finance Lease Liability	0	0	0
Total	39,000	8,000	25,000

2.6 Borrowing

2.6.1 The Council's forecast year end capital financing requirement (CFR) for 2022/23 is £45,786m. 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. At 30 September 2022 the Council has external borrowing of £8.000m. This is forecast to increase to £20.000m with the remaining balance of £25.786m financed in the short term by the utilisation of cash flow 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.

2.6.2 The Council's current external borrowing portfolio is comprised of one loan of £8.000m from the Public Works Loan Board (PWLB). The loan is a long term loan with repayment on maturity, reflecting the expectation that the Council will have a long term borrowing requirement. The loan commenced in March 2019 and will run to September 2068 (49.5 years) at an annual interest rate of 2.41%.

2.6.3 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.

2.7 Compliance with Treasury and Prudential Limits

2.7.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Capital Investment Strategy and Treasury Management Policy for 2022/23. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

2.7.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

2.8 Annual investment strategy

2.8.1 In accordance with the CIPFA Treasury Management Code of Practice, the Council's Annual Investment Strategy sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

2.8.2 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.

2.8.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2022.

2.9 Creditworthiness

2.9.1 Following the Government's fiscal event on 23 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.

2.10 Investment Counterparty criteria

2.10.1 The current investment counterparty criteria selection approved in the Annual Investment Strategy is meeting the requirement of the treasury management function.

2.10.2 The Council has continued to limit exposure to banks and building societies with deposits limited to the Council's bank, Lloyds, and the UK government through investments with the Debt Management Office (DMO).

2.11 Investment balances

2.11.1 The average level of funds available for investment purposes during the first half of the financial year was £26.850m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The average interest rate earned on investments was 1.13% (low 0.52%, high 1.93%). This compares to average Bank of England Base Rate of 1.28% (low 0.75%, high 2.25%). The Sterling Overnight Index Average (SONIA) benchmark is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. Over the same period, the average SONIA rate was 1.22% (low 0.69%, high 2.19%). Performance against these benchmarks reflects effective short-term cash management, avoiding excessive exposure to the lower rates paid on overnight bank deposits while maintain liquidity and investing with high credit quality counterparties.

2.11.2 Although interest receivable rates have increased during 2022/23, the cost of borrowing remains higher than the benefit of investing cash, known as the 'cost of carry.' Therefore, the Council will continue to maximise the use of internal borrowing, utilising internal cash balances to offset the need to borrowing in the short term and reducing the net interest cost.

2.11.3 The Council's investment portfolio is set out in appendix 3.

2.12 Externally Managed Funds

2.12.1 During 2020/21 the Council identified an amount of core cash available for longer-term investment. The cash was invested in a Money Market Fund managed by Royal London Asset Management. This is an 'accumulating' fund, which means it does not pay regular interest. Instead, returns generated by the fund are reinvested, increasing the value of the investment. A total of £2.350m was invested in November 2020. The fair value at 30 September 2022 was £2.352m.

2.13 Credit Ratings

Credit rating information is supplied by our treasury consultants, Link Asset Services, on all counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. There have been no changes to the Council's approved counterparty list as a result of changes to credit ratings during the year.

3. Financial Implications

3.1 The Council has set an income budget of £0.090m for 2022/23. At 30 September the Council has received £0.218m, benefiting from the increase in interest rates and higher cash balances than expected.

3.2 Based on current external borrowing, the Council will incur interest payable costs of £0.193m. This will increase if further external borrowing is required before the end of the financial year. However, there is no exposure to interest rate risk for refinancing of borrowing as there are no maturities during 2022/23. The interest expense budget for 2022/23 is £0.302m.

4. Legal Implications

4.1 There are no legal implications arising directly from this report.

5. Equal, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Health & Safety Implications

5.1 None specific.

6. Risk Management

6.1 The Code of Practice on Treasury Management identifies eight key risks that are inherent in Treasury Management activity. The Council's Treasury Management Policy sets out the risks that it is seeking to manage:

1.	Liquidity Risk	That the Council may not have the cash it needs on a day to day basis to pay its bills.	This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.
2.	Interest Rate Risk	That the costs and benefits expected do not materialise due to changes in interest rates.	This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).
3.	Exchange Rate Risk	That losses or gains are made due to fluctuations in the prices of currency.	The Council does not engage in any significant non-sterling transactions.
4.	Credit and Counterparty Risk	That the entity holding Council funds is unable to repay them when due.	This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.
5.	Refinancing Risk	That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.	The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.
6.	Legal and Regulatory Risk	That the Council operates outside its legal powers.	This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

7.	Fraud, Error and Corruption	The risk that losses will be caused by impropriety or incompetence.	This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds
8.	Market Risk	That the price of investments held fluctuates, principally in secondary markets.	The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure. The Council's investment in Royal London Asset Management, relating to the Croxley Park reserve, is held for the long term which enables the Council to reduce the risk of needing to divest when prices fall.

6.2 In the current macro-economic environment, the two most high-profile risks are interest rate risk and refinancing risk. This is a shift in focus from credit and counterparty risk which has been the prevailing concern since the 2008 banking crisis.

6.3 The principles set out in the Treasury Management Policy and Annual Investment Strategy remain appropriate to manage these risks.

7. Recommendation

7.1 That the Committee notes the contents of the 2022/23 mid-year review of the Treasury Management function.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources:

Link reports

Data checked by:

Hannah Doney, Head of Finance

Data rating: Tick

1	Poor	
2	Sufficient	
3	High	x

Background Papers

Treasury Management Policy 2022/23

APPENDICES / ATTACHMENTS

- Appendix 1 – Economics Update
- Appendix 2 – PWLB Rates
- Appendix 3 – Investment Portfolio

Three Rivers District Council

Appendix 1

Treasury Management Strategy Statement 2022/23

DRAFT DECEMBER 2022

1. Summary

- 1.1. This document sets out the Council's Treasury Management Strategy Statement (TMSS).
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's 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. The TMSS supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The TMSS details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives of the Treasury Management Strategy Statement are:
 - Security - Safeguard the repayment of the principal and interest of its investments on time
 - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
 - Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.
- 1.5. This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Plan (MTFP) and Capital Strategy.
- 1.6. The Director of Finance in consultation with the Lead Member for Resources and Shared Services has delegated authority to approve any variation to the Strategy Statement during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

- 2.1. The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice ("the TM Code"). The following paragraphs set out these risks and how they are managed:

Liquidity Risk

That the Council may not have the cash it needs on a day to day basis to pay its bills.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

Interest Rate Risk

That the costs and benefits expected do not materialise due to changes in interest rates.

This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

Exchange Rate Risk

That losses or gains are made due to fluctuations in the prices of currency.

The Council does not engage in any significant non-sterling transactions.

Credit and Counterparty Risk

That the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.

Refinancing Risk

That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

Legal and Regulatory Risk

That the Council operates outside its legal powers.

This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

Fraud, Error and Corruption

The risk that losses will be caused by impropriety or incompetence.

This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.

Market Risk

That the price of investments held fluctuates, principally in secondary markets.

The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

3. Treasury Indicators: Limits to Borrowing Activity

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. These indicators are set out in the Capital Strategy.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

4. Borrowing Strategy

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of

early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

5. Investment Policy

- 5.1. The Council's investment policy has regard to the statutory Guidance on Local Government Investments and TM Code. The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.
- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. During 2020/21 the Council made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash. It is intended to continue to make use of this fund during 2023/24 while cash balances permit.

6. Creditworthiness policy

- 6.1. The Council will ensure:
 - It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.
- 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

- 7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council’s Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. Further details of counterparty categories and limits are set out Annex A Schedule of Specified and Non-Specified Investments.

7.3. The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

8. The Monitoring of Investment Counterparties

8.1 The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody’s and Standard & Poor’s) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody’s and Standard & Poor’s respectively. Minimum Short Term Ratings, where given, must be met for all categories.

8.2 On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by

the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

- 8.3 For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

9. Use of Additional Information Other Than Credit Ratings

- 9.1 Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

10. Time and Monetary Limits Applying to Investments

- 10.1 The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

11. Exceptional Circumstances

- 11.1 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.
- 11.2 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

12. Investment Strategy

- 12.1 In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 12.2 Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2022/23	2023/24	2024/25	2025/26
Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries).	£10m	£10m	£10m	£10m

13. Investment Risk & Security Benchmarking

13.1 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. The benchmarks are as follows:

Security:

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity:

The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £0.5m available with a week's notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield:

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator will be reported in the reports produced at mid-year and year-end.

14. Reporting Requirements

- 14.1 The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Policy for review prior to approval by Council.
- 14.2 An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy is considered by Council following the end of the financial year
- 14.3 Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

15. Policy on the Use of External Service Providers

- 15.1 Link Asset Services are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the

methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

15.2 The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

16. Member and Officer Training

16.1 In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management;
- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Annex A

Non Specified Investment Category	Limit (£ or %)
<p>Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
<p>The Council's own banker if it fails to meet the basic credit criteria.</p>	In this instance balances will be minimised as much as possible
<p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>	£2m
<p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>	£10m limit for any single loan
<p>Other unspecified investments</p> <p>The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

Institution Type	Minimum Short Term Ratings			Schedule 1 (A) – UK Banks & Building Societies			
	Fitch	Moody's	S&P				
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.			
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All agencies)	Long Term Credit Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1				
UK Building Societies (Credit Rated)	F1	P-1	A-1				
UK Building Societies (Unrated)				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
	Maximum Amount / Duration:			£10m 364 Days	£10m 6 Months	£10m 3 Months	£10m 1 Month

Schedule 1 (B) – Other Entities

Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council's Safe-Haven Deposit facility with the UK Government
Money Market Funds (AAA Rated)	£5m per fund
Municipal Bond Agency	As approved by Members
UK Local Authorities	<p>A Maximum of £5m applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice without member approval.</p>

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

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Economics Update

This update has been provided by the Council's appointed Treasury Management Advisors, Link Group. The update was prepared in October 2022 and reflects the position at 30 September 2022.

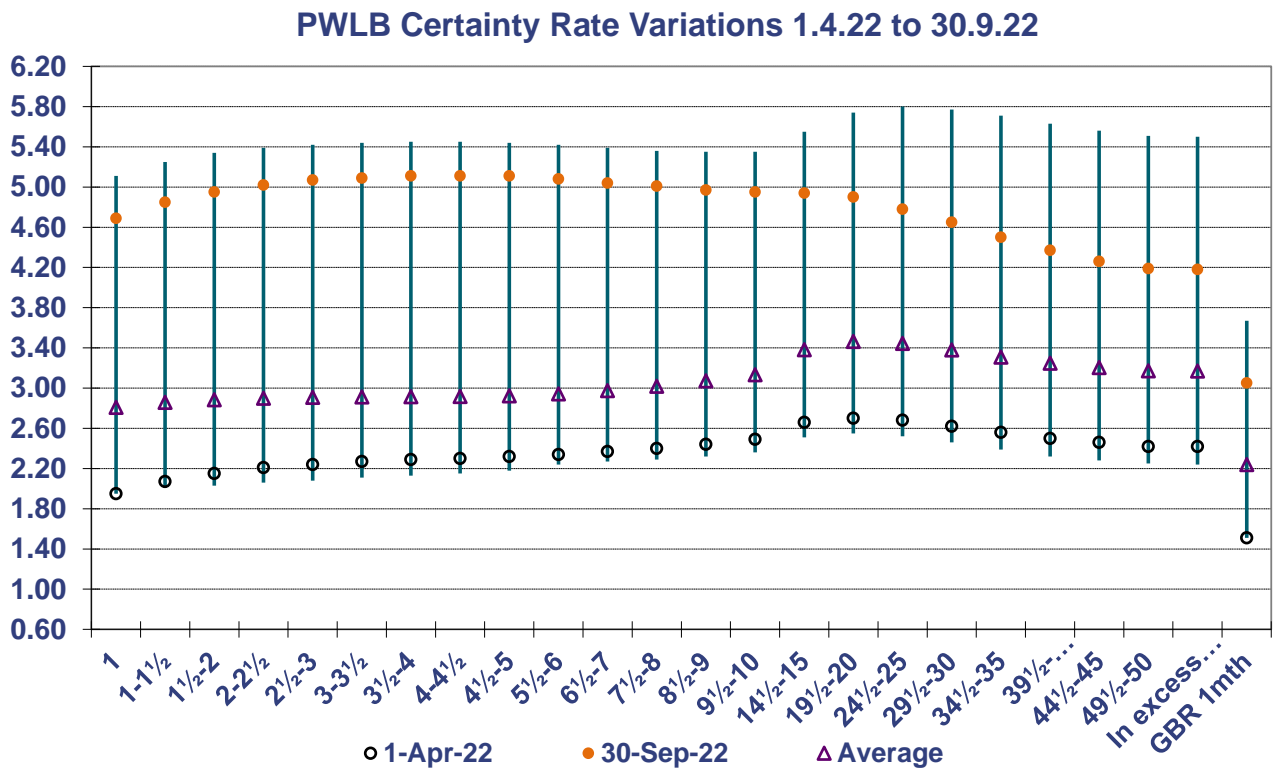
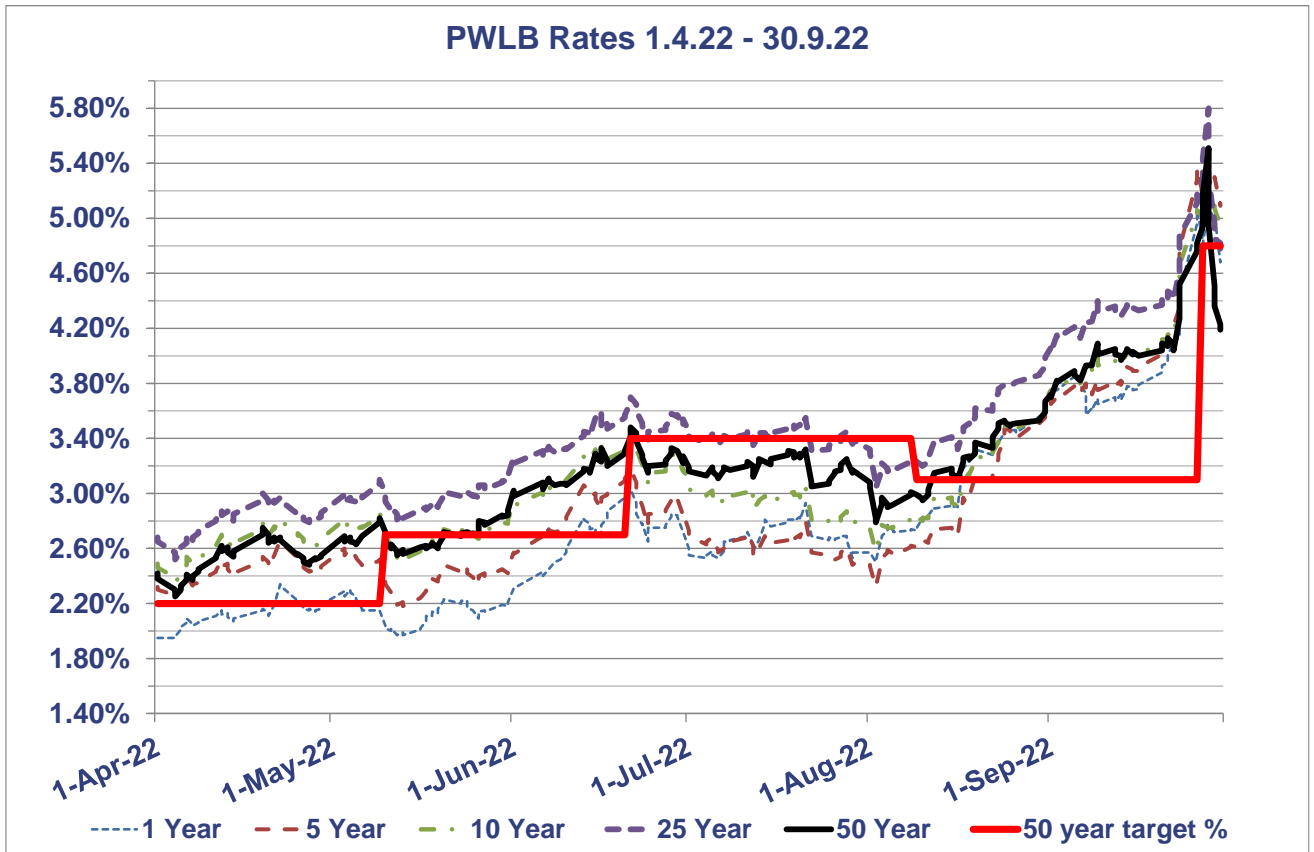
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell 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.

Public Works Loan Board Rates – April to September 2022

PWLB RATES 01.04.22 - 30.09.22



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.09.22

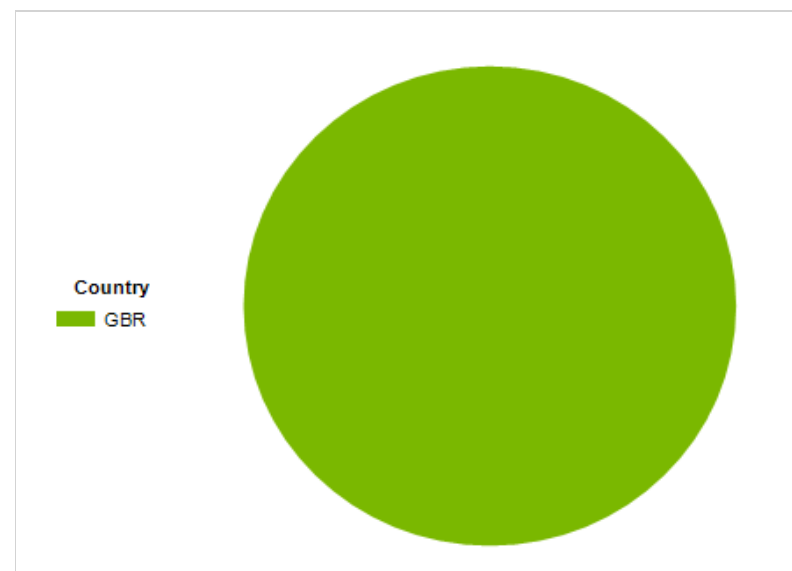
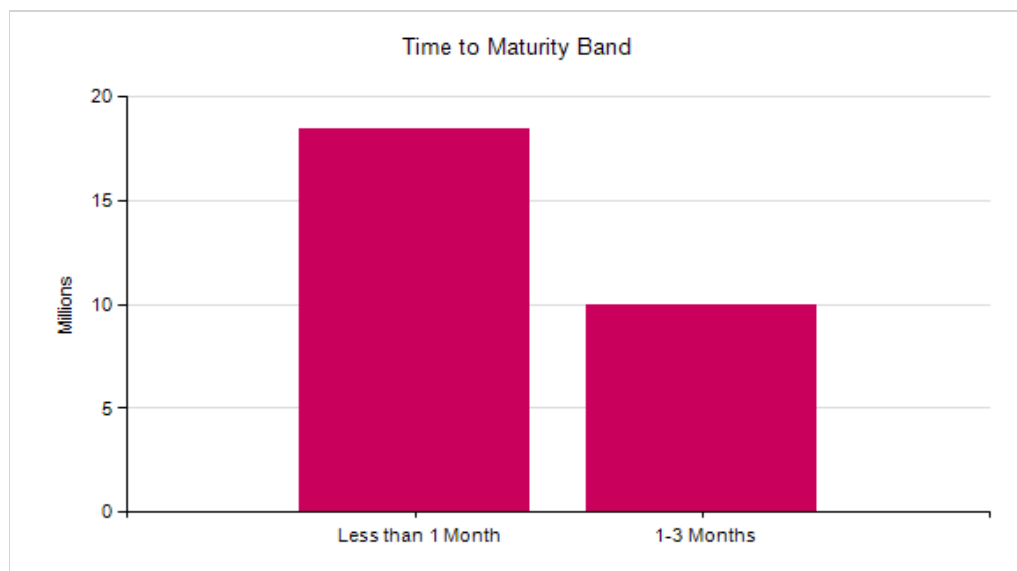
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

- The current PWLB rates are set as margins over gilt yields as follows: -.
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

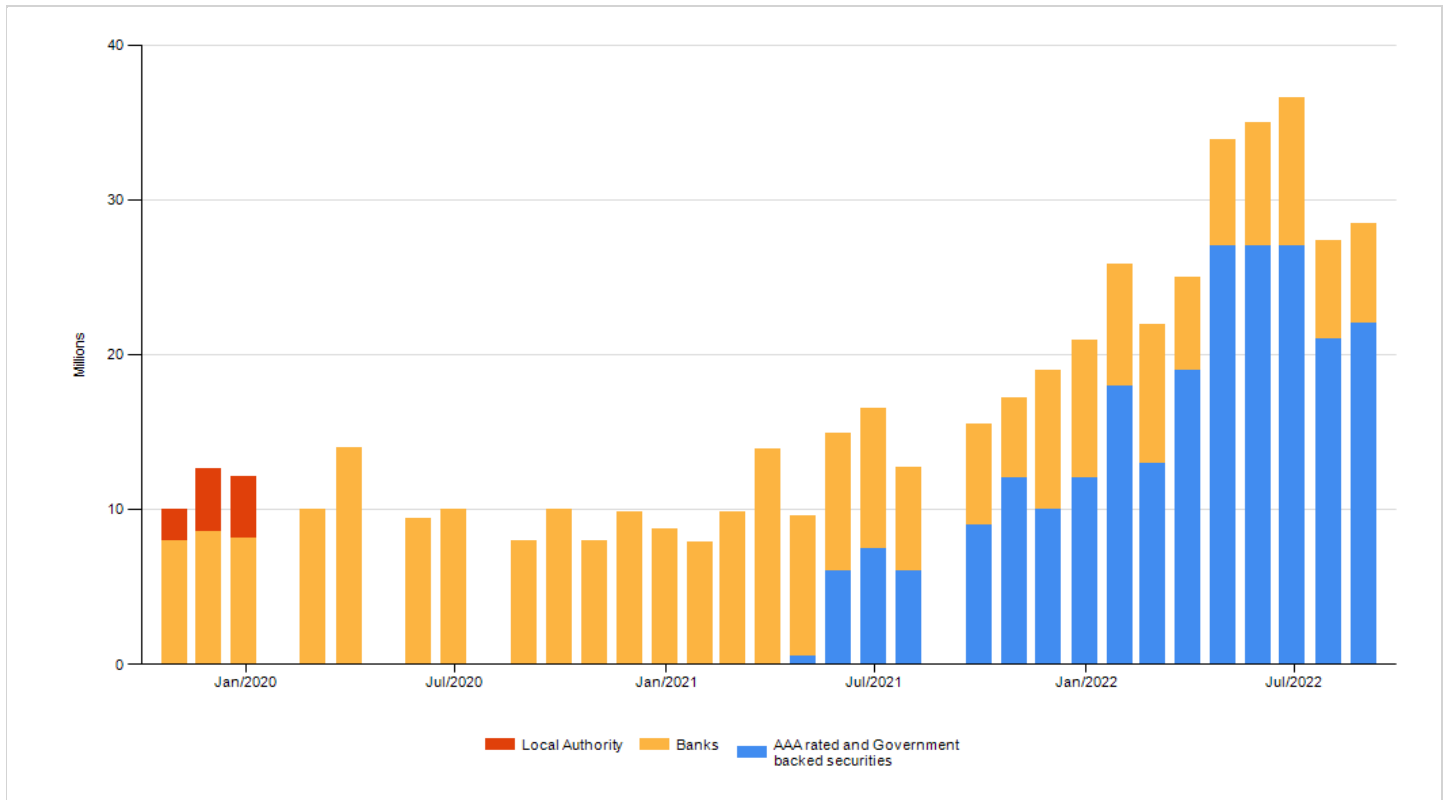
Investment Portfolio

Investment data as at: Sep/2022

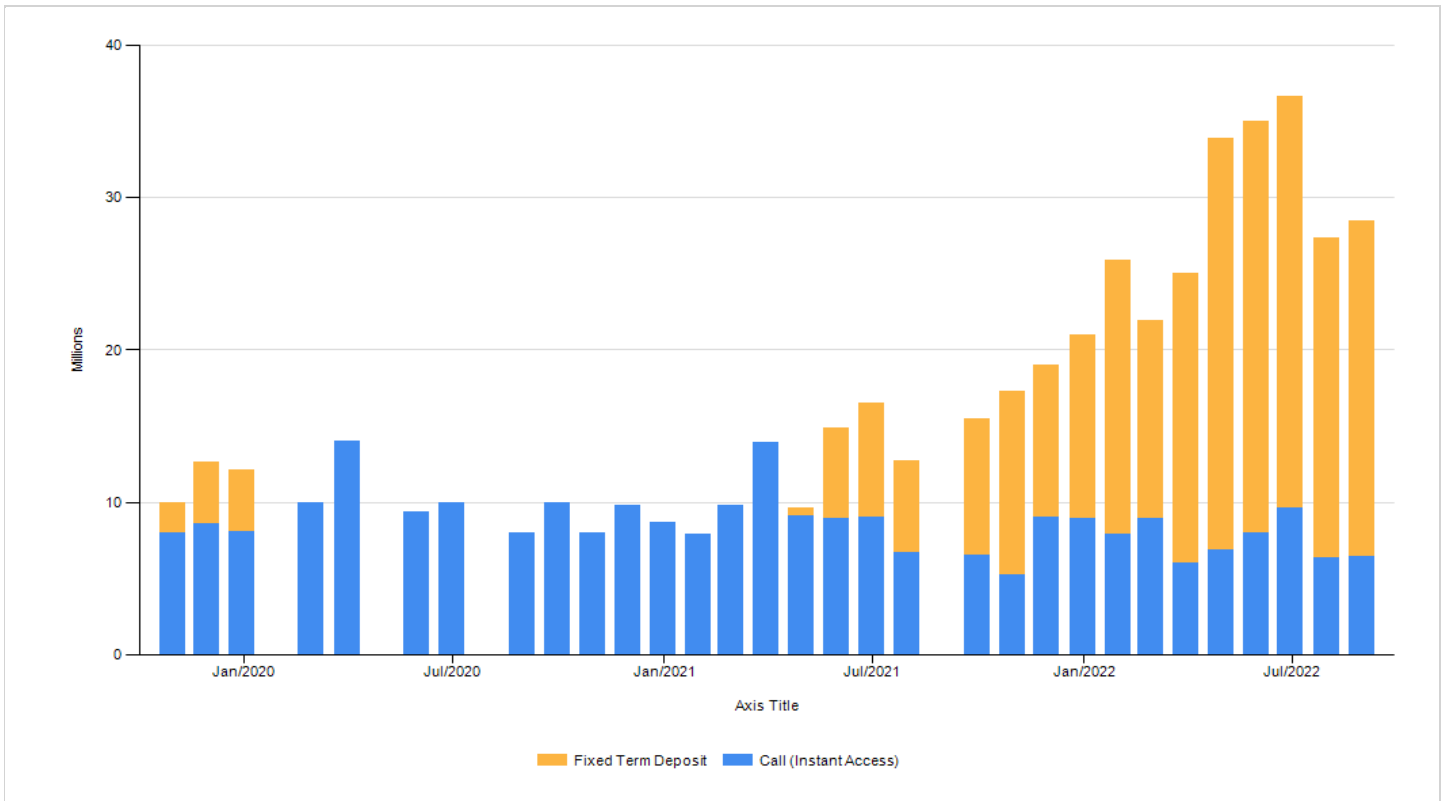
Country	Institution	Instrument Type	Start	Maturity	Yield	Principal
GBR	Lloyds Bank Plc (RFB)	Call (Instant Access)			0.01%	£6,458,137
	Debt Management Office	Fixed Term Deposit	20/09/2022	04/10/2022	1.93%	£12,000,000
	Debt Management Office	Fixed Term Deposit	09/05/2022	09/11/2022	1.10%	£10,000,000
						£28,458,137
Total						£28,458,137



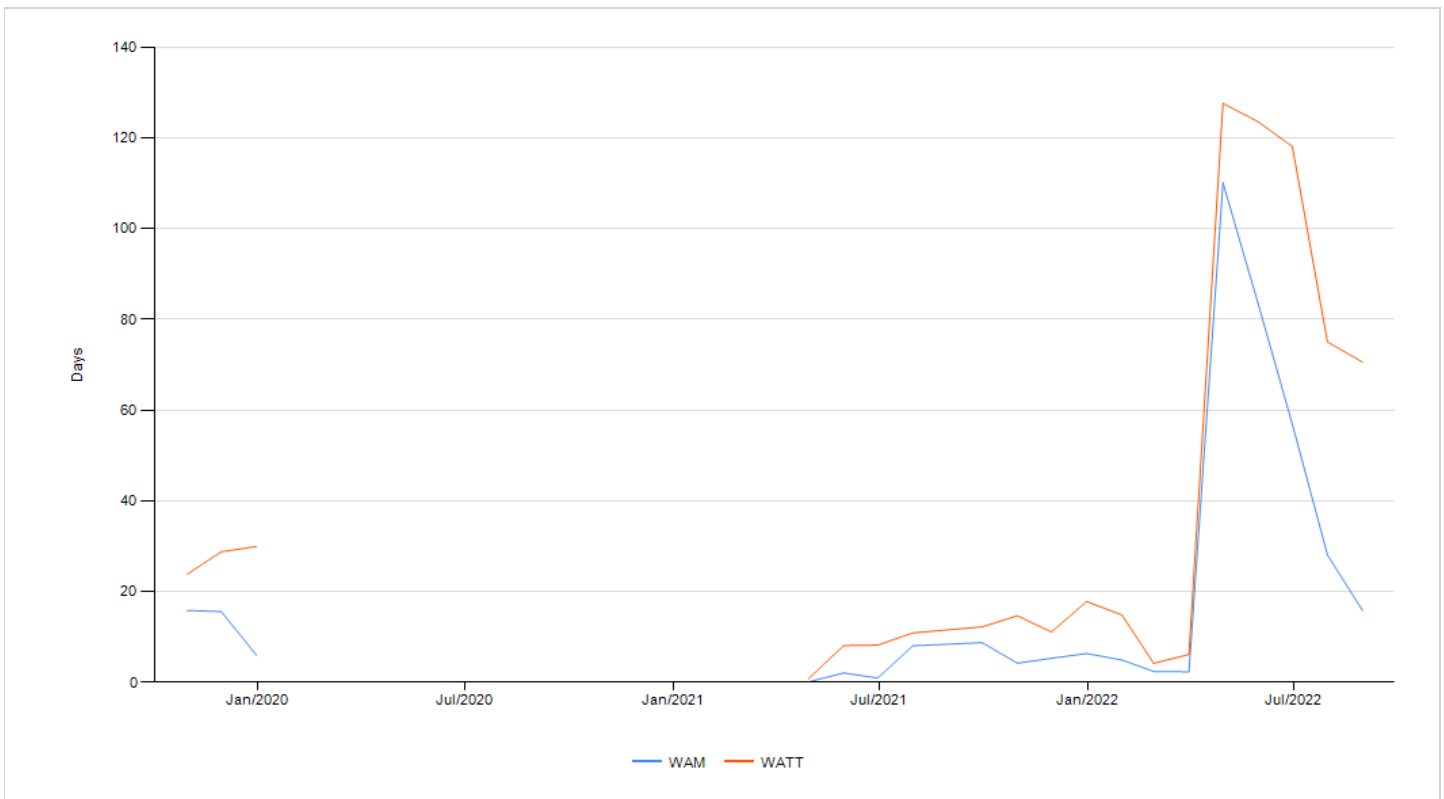
Counterparty Analysis



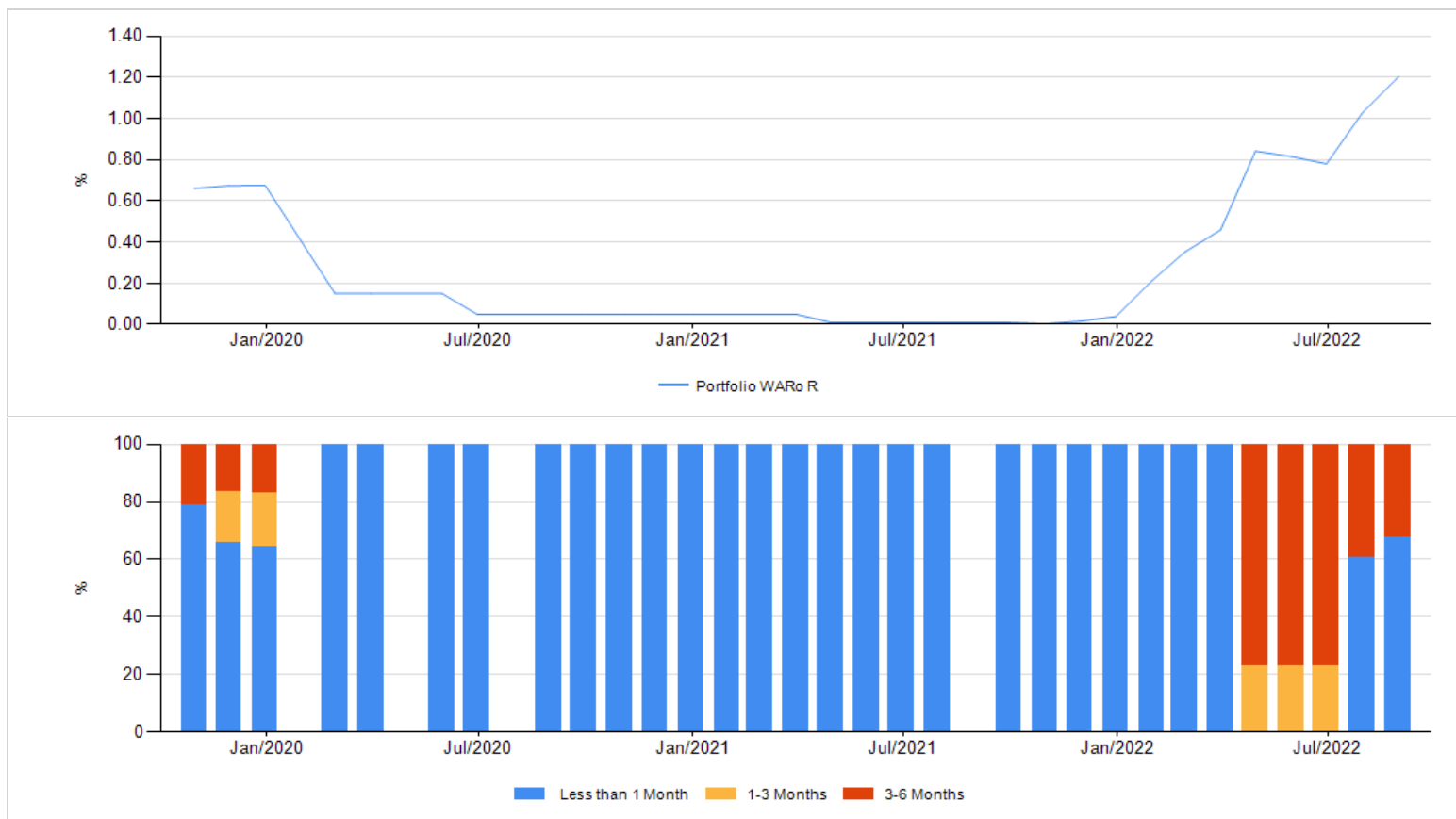
Instrument Analysis



Liquidity Analysis (days)



Portfolio Yield Analysis



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Portfolio Analysis Matrix

Organisation Type	Counterparty	Sep/2022	Aug/2022	Jul/2022	Jun/2022	May/2022	Apr/2022	Mar/2022	Feb/2022	Jan/2022
AAA rated and Government backed	Total	£22,000,000	£21,000,000	£27,000,000	£27,000,000	£27,000,000	£19,000,000	£13,000,000	£18,000,000	£12,000,000
Banks	Lloyds Bank Plc (RFB)	£6,458,137	£6,323,329	£9,609,172	£8,000,180	£6,883,100	£5,986,485	£8,928,894	£7,871,411	£8,933,596
	Total	£6,458,137	£6,323,329	£9,609,172	£8,000,180	£6,883,100	£5,986,485	£8,928,894	£7,871,411	£8,933,596
Total		£28,458,137	£27,323,329	£36,609,172	£35,000,180	£33,883,100	£24,986,485	£21,928,894	£25,871,411	£20,933,596

AUDIT COMMITTEE – 8 DECEMBER 2022

PART I – DELEGATED

9. DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24 (DoF)

Summary

- 1.1 This report sets out the draft Treasury Management Strategy Statement (TMSS) for 2023/24. The final TMSS will be considered by Council alongside the Budget for 2023/24, Medium Term Financial Plan and Capital Strategy on 21 February 2023.
- 1.2 The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.

Details

- 2.1 The Treasury Management Strategy Statement (TMSS), previously called the Treasury Management Policy, supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 2.2 The TMSS details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives are of the TMSS are:
 - Security - Safeguard the repayment of the principal and interest of its investments on time
 - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
 - Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.
- 2.3 This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Plan (MTFP) and Capital Strategy.
- 2.4 The Audit Committee is designated as the Committee to receive reports on the performance of the Treasury Management function. The Committee currently receives two reports per year: the Mid Term Review and Annual Performance Report. As the committee responsible for monitoring the performance of the function, the Committee is also asked to comment on the TMSS prior to its consideration and approval by Council. The draft TMSS is at Appendix 1.
- 2.5 The draft TMSS has been prepared in accordance with the Treasury Management Code of Practice which is statutory guidance prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.6 Although the macro-economic environment has changed significantly since the current Treasury Management Policy was agreed for 2022/23, the principles of effective treasury management and primary objectives remain the same. Therefore, there are no changes proposed to the TMSS for 2023/24 other than adoption of the new title to reflect current terminology.

Policy/Budget Reference and Implications

3.1 The recommendations in this report are within the Council's agreed policy and budgets.

4. Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

4.1 None specific.

5. Recommendation

5.1 The Committee is asked to comment on the draft Treasury Management Strategy Statement 2023/24.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: None used in the preparation of the report

Background Papers

None

APPENDICES / ATTACHMENTS

Appendix 1 – Draft Treasury Management Strategy Statement 2023/24

AUDIT COMMITTEE – 8 DECEMBER 2022

PART I – DELEGATED

FINANCIAL AND BUDGETARY RISKS (DoF)

Summary

- 1.1 This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

Details

- 2.1 There have been no changes to the risks included on the Financial and Budgetary Risk Register or risk scores since the last report to Audit Committee. Updates to the action plan have been provided where action has been taken or planned or further information has become available.
- 2.2 Inflation is a key budgetary risk for 2022/23 and the Medium Term Financial Plan. A paper setting out the impact of inflation on the Council was considered by Policy and Resources Committee on 18 July 2022. Risk FIN11, in relation to income from fees and charges, has been updated to reflect the risk that inaccuracy in the estimated cost of delivering chargeable services can create budgetary pressure as well as inaccurate estimates of the expected levels of income generated by the fees and charges. A report on proposed fees and charges will be considered by the Policy and Resources Committee on 5 December 2022.
- 2.3 Inflation continues to be closely monitored throughout 2022/23 and the impact will be reported through the financial monitoring report and budget setting reports.

Options and Reasons for Recommendations

- 3.1 The recommendations allow the Committee to review the financial risks faced by the Council and record any comments it wishes to make in respect of individual risks.

Policy/Budget Reference and Implications

- 4.1 The recommendations in this report are within the Council's agreed policy and budgets.

Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

- 5.1 None specific.

Recommendation

- 6.1 That the Committee review the risk register and make any comments it wishes to make against individual risks.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: Budget Monitoring Reports & Budget setting report (Liberal Democrat)

Data checked by: Head of Finance.

Data rating:

1	Poor	
2	Sufficient	
3	High	√

Background Papers

Impact of Inflation on the Council - paper to Policy & Resources Committee 18 July 2022

APPENDICES / ATTACHMENTS

Appendix 1 - Financial Risk Register

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Sep-15	FIN07	Director of Finance	Strategic	The Medium term financial position worsens.	In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register.	4	4	16	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process; Audited Statement of Accounts, including Annual Governance Statement. Currently the 2019/20 annual accounts are awaiting sign off from the external auditors and 2020/21 annual accounts are well progressed.	Head of Finance	3	2	6	➡	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process which includes a risk assessment for the prudent level of general balances and an assessment of financial resilience with reference to the CIPFA Financial resilience index.	Heads of Service/ Head of Finance	Continuous
Apr-06	FIN08	Director of Finance	Budgetary	Revenue balances insufficient to meet estimate pay award increases	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The Government's fair funding review is currently on hold	4	3	12	Maintain reserves to guard against risk. Early identification of new pressures. Budget Monitoring	Head of Finance	2	2	4	⬆️	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring	Head of Finance	Continuous
Apr-06	FIN09	Director of Finance	Budgetary	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible.	3	3	9	Monitor future inflation projections. Actively manage budgets to contain inflation. Maintain reserves.	Service Heads/Head of Finance	2	2	4	⬆️	Monitor future inflation projections. Actively manage budgets and contracts to contain inflation. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances.	Head of Finance	Continuous
Jan-15	FIN10	Director of Finance	Budgetary	Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts and other earmarked reserves that are invested in the money market. The volatility of the global economy continues to place uncertainty on the investment strategy.	3	3	9	PIB strategy has diversified interest rate risk to provide income security.	PIB/Head of Finance	2	3	6	➡	Monitoring ongoing income levels.	PIB	Continuous

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income and / or estimates of cost of delivering chargeable services	A budget pressure is created due to income shortfalls or increased expenditure	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/Head of Finance	2	2	4	➡	Fees and charges, including and surplus or loss are monitored through budget monitoring with key income streams reported to CMT.	Service Heads	Continuous
Apr-06	FIN12	Director of Finance	Budgetary	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vatable expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. This is mitigated by close monitoring of exempt supplies and prudent VAT planning. The Council elects to tax on development schemes.	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	➡	Partial Exemption Review commissioned. Continue to opt to tax.	Head of Finance	Continuous
Dec-08	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains are not achieved	Savings identified and included in the budget will be monitored as part of the budget monitoring process. See fees and charges above. MTFS agreed for next 3 years.	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be taken.	Service Heads/Head of Finance	2	2	4	➡	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	Continuous
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks	The Council has no outstanding litigation cases.	2	3	6	Council procedures are adhered to	Solicitor to the Council	1	3	3	➡	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Dec-13	FIN18	Director of Finance	Budgetary	Fluctuations in Business Rates Retention	From April 2020 the system was due to be subject to reset and increase to 75% retention. <i>This has been further postponed to 2023/24.</i>	3	4	12	Maintain reserves against risk.	Head of Finance	3	3	9	➡	Hertfordshire CFOs have commissioned work from LG Futures to assess the impact. SDCT also looking at impact nationally.	Director of Finance	Continuous
Mar-16	FIN19	Head of Property Services	Budgetary	Failure to deliver the South Oxhey Initiative to desired outcomes and objectives resulting in a delay in the capital receipt	This is a key project. This appears as item no.7 in the Council's strategic risk register. Phase 1 delivered. Enhanced next phase agreed. Work is scheduled to conclude in 2021/22 and remains broadly on track.	2	3	6	Project management team appointed to advise Council; Project management processes in place and reviewed regularly; Policy and Resources Committee receive regular reports on progress of project	Head of Property Services	2	2	4	➡	Continue to manage project	Head of Property	Continuous
Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	➡	Monitor reliability	Head of Finance	Continuous
Mar-18	FIN21	Director of Finance	Budgetary	Property Investment	The Property Investment Board manage its property portfolio in order to secure additional income to support its general fund.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFP is updated.	Head of Property Services	1	3	3	➡	PIB to assume responsibility for ongoing oversight.	Head of Property Services	Continuous
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council is currently exploring other commercial options to improve self sustainability. Currently there is a commercial income target of £1m pa which is being met.	3	2	6	Oversight mechanisms to be put in place to ensure oversight by PIB or similar mechanism. Council to determine approach to risk and level of income dependency within budget.	Head of Finance	2	2	4	➡	Monitor new developments. Investments overseen by the cross party Shareholder and Commercial Ventures Panel.	Head of Property Services	Continuous

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	1	3	3	➔	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign over the summer, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs and opportunities.	Chief Executive/ Director of Finance	Continuous

AUDIT COMMITTEE – 8 DECEMBER 2022

PART I – DELEGATED

11. COMMITTEE'S WORK PROGRAMME

(DoF)

1 Summary

1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

2. Details

2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.

2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:

- Role of the Audit Committee
- Statement of Accounts
- Treasury Management
- Internal Audit
- Risk Management

2.3 The following items are standing items on the agenda and are presented at each meeting of the Committee:

- Internal Audit Report – SIAS Audit Client Manager
- Financial and Budgetary Risks – Head of Finance
- Committee Work Programme

2.4 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

Financial Year 2022/23		
Date	Report	Officer Responsible
28 March 2023	TRAINING: Internal Audit <ul style="list-style-type: none"> • Accounting Policies 2022/23 • SIAS Internal Audit Plans 2023/24 • External Annual Audit Letter 2019/20 • Approval of the 2020/21 Accounts & External Auditors Report • External Auditor Audit Plan 2021/22 • Standing Items 	Client Audit Manager Head of Finance Client Audit Manager External Auditor Head of Finance and External Auditor External Auditor
Financial Year 2023/24		
6 July 2023	TRAINING: Statement of Accounts <ul style="list-style-type: none"> • External Annual Audit Letter 2020/21 • Approval of the 2021/22 Accounts and External Auditors Report • Standing Items 	Head of Finance External Auditor Head of Finance and External Auditor
27 July 2023	TRAINING: Role of the Audit Committee <ul style="list-style-type: none"> • Approval of the draft Statement of Accounts 2022/23 and Annual Governance Statement • External Annual Audit Letter 2021/22 • External Auditor Audit Plan 2022/23 • Treasury Management Annual Report 2022/23 • Fraud Annual Report • SIAS Annual Assurance Statement & Internal Audit Annual Report • SIAS Board Annual Report • Standing Items 	Head of Finance Head of Finance External Auditor External Auditor Head of Finance Fraud Manager Client Audit Manager Client Audit Manager
28 September 2023	TRAINING: Risk Management <ul style="list-style-type: none"> • Risk Management Framework • External Auditor Audit Plan 2022/23 • SIAS Board Annual Report • Standing Items 	Emergency Planning and Risk Manager Emergency Planning and Risk Manager External Auditor Client Audit Manager

8 December 2023	<p>TRAINING: Treasury Management</p> <ul style="list-style-type: none"> • Treasury Management Mid-Year Report 2023/24 • Draft Treasury Management Strategy Statement 2024/25 • Approval of the 2022/23 Accounts and External Auditors Report • Standing Items 	<p>Head of Finance</p> <p>Head of Finance</p> <p>Head of Finance</p> <p>External Auditors Head of Finance</p>
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3 Options/Reasons for Recommendation

3.1 The recommendation allows the Committee to determine its work programme.

4 Policy/Budget Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk Management Implications

5.1 None specific.

6 Recommendation

6.1 That the Committee consider and makes necessary changes to its Work Programme.

Background Papers

Reports and minutes – Audit Committee

Report prepared by: Hannah Doney – Head of Finance

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