

# Notice of Audit and Governance Committee

Date: Thursday, 13 January 2022 at 6.00 pm

Venue: Committee Suite, Civic Centre, Poole BH15 2RU



---

## Membership:

### Chairman:

Cllr J Beesley

### Vice Chairman:

Cllr L Williams

Cllr M F Brooke  
Cllr D Butt  
Cllr M Cox

Cllr L Fear  
Cllr A Filer  
Cllr M Phipps

Cllr Dr F Rice

---

All Members of the Audit and Governance Committee are summoned to attend this meeting to consider the items of business set out on the agenda below.

The press and public are welcome to view the live stream of this meeting at the following link:

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?MIId=4850>

If you would like any further information on the items to be considered at the meeting please contact: on 01202 096660 or email [democratic.services@bcpCouncil.gov.uk](mailto:democratic.services@bcpCouncil.gov.uk)

Press enquiries should be directed to the Press Office: Tel: 01202 118686 or email [press.office@bcpCouncil.gov.uk](mailto:press.office@bcpCouncil.gov.uk)

This notice and all the papers mentioned within it are available at [democracy.bcpCouncil.gov.uk](https://democracy.bcpCouncil.gov.uk)

GRAHAM FARRANT  
**CHIEF EXECUTIVE**

5 January 2022



Available online and  
on the Mod.gov app

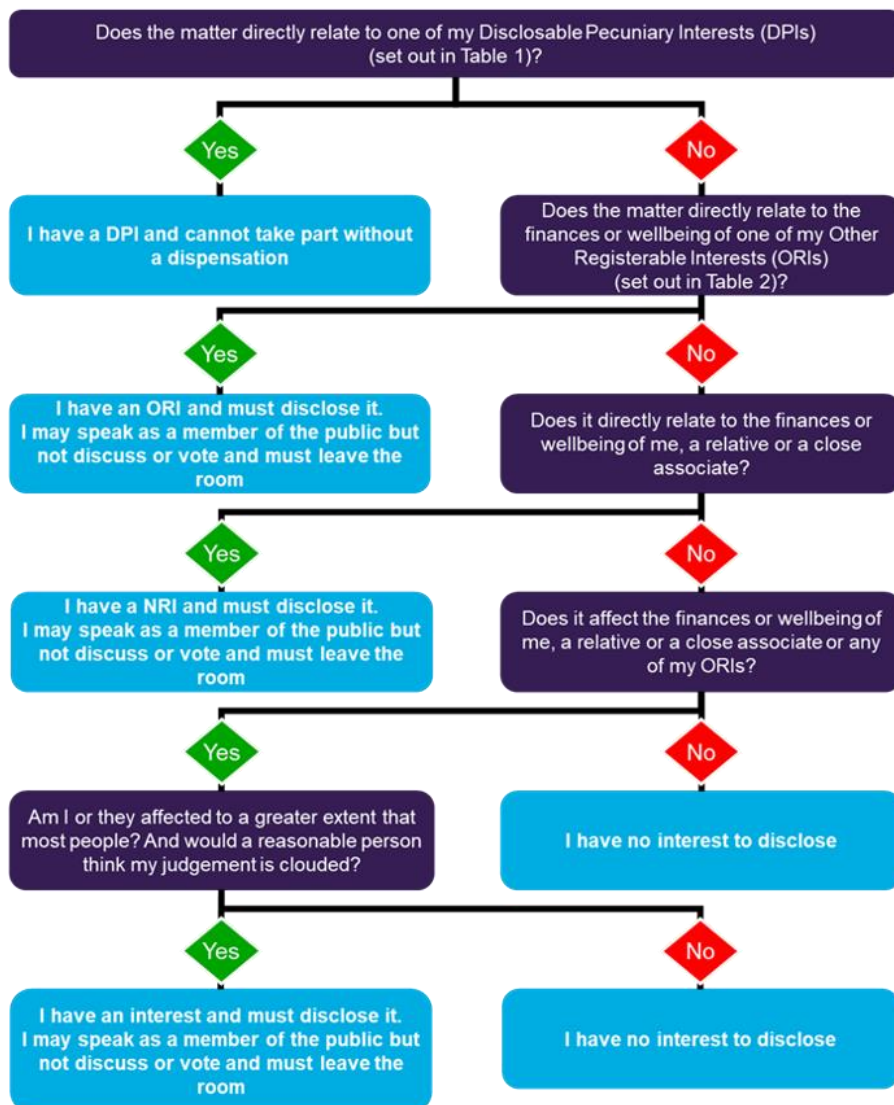


## Maintaining and promoting high standards of conduct

### Declaring interests at meetings

Familiarise yourself with the Councillor Code of Conduct which can be found in Part 6 of the Council's Constitution.

Before the meeting, read the agenda and reports to see if the matters to be discussed at the meeting concern your interests



What are the principles of bias and pre-determination and how do they affect my participation in the meeting?

Bias and predetermination are common law concepts. If they affect you, your participation in the meeting may call into question the decision arrived at on the item.

#### Bias Test

In all the circumstances, would it lead a fair minded and informed observer to conclude that there was a real possibility or a real danger that the decision maker was biased?

#### Predetermination Test

At the time of making the decision, did the decision maker have a closed mind?

If a councillor appears to be biased or to have predetermined their decision, they must NOT participate in the meeting.

For more information or advice please contact the Monitoring Officer  
([susan.zeiss@bcpcouncil.gov.uk](mailto:susan.zeiss@bcpcouncil.gov.uk))

### Selflessness

Councillors should act solely in terms of the public interest

### Integrity

Councillors must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships

### Objectivity

Councillors must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias

### Accountability

Councillors are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this

### Openness

Councillors should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing

### Honesty & Integrity

Councillors should act with honesty and integrity and should not place themselves in situations where their honesty and integrity may be questioned

### Leadership

Councillors should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

# AGENDA

Items to be considered while the meeting is open to the public

## 1. Apologies

To receive any apologies for absence from Councillors.

## 2. Substitute Members

To receive information on any changes in the membership of the Committee.

Note – When a member of a Committee is unable to attend a meeting of a Committee or Sub-Committee, the relevant Political Group Leader (or their nominated representative) may, by notice to the Monitoring Officer (or their nominated representative) prior to the meeting, appoint a substitute member from within the same Political Group. The contact details on the front of this agenda should be used for notifications.

## 3. Declarations of Interests

Councillors are requested to declare any interests on items included in this agenda. Please refer to the workflow on the preceding page for guidance.

Declarations received will be reported at the meeting.

## 4. Confirmation of Minutes

7 - 18

To confirm as a correct record the minutes of the Meetings held on 01 December 2021 and 02 December 2021.

## 5. Public Issues

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these is available to view at the following link:-

<https://democracy.bcpccouncil.gov.uk/documents/s2305/Public%20Items%20-%20Meeting%20Procedure%20Rules.pdf>

The deadline for the submission of public questions is 06 January 2022.

The deadline for the submission of a statement is 12.00 noon on 12 January 2022.

The deadline for the submission of a petition was 24 December 2021.

## 6. External Auditor – Audit Progress 2020/21 & Sector Update

19 - 40

Grant Thornton, as the Council's appointed External Auditors, have produced a report (Appendix A) which provides an update to Audit & Governance Committee on their progress to date in delivering their responsibilities.

The report states that the proposed target completion date for their fieldwork was 30 November 2021 and that they aimed to give their opinion on the financial statements by the end of December 2021. However a

number of matters have arisen that have resulted in delay to this timetable. Reasons for the delay are included in the report and a revised date for the sign off of the financial statements of February 2022 has been set.

Progress has been made on the certification of claims and returns for the Council as detailed in the report.

The report states that the Financial Reporting Council (FRC) published its annual report on 29 October 2021 setting out the findings of its review of the work of local auditors. The FRC described Grant Thornton's improvement in audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year'.

The report also includes a summary of emerging national issues and developments that may be relevant to the Council.

## **7. Treasury Management Monitoring report for the period April to December 2021 and Treasury Management Strategy 2022/23**

41 - 106

This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2021 to 31 December 2021. A surplus of £619k will be achieved through lower borrowing costs due to historically low interest rates and higher interest earned on investments.

The Treasury Management Strategy 2022/23 is included as an appendix to this report. Key changes to the strategy have been set out in paragraphs 18-20 as well as inclusion of analysis of the approach to finance more of the capital programme through borrowing.

The report also sets out in paragraph 29-31 to modify the council's accounting policy surrounding capitalisation of interest during the construction of major capital projects.

## **8. Risk Management – Corporate Risk Register Update**

107 - 126

This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:

- Two new risks have been added to the council's Corporate Risk Register during the quarter:  
CR18 - Failure in customer interface  
CR19 – Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)
- Corporate Risk CR17 - Risk to Reputation of Place & Council if summer arrangements are not managed – has been removed from the Corporate Risk Register
- Details of those risks where a review was not possible during the quarter are included.

## **9. Annual Governance Statement 2020/21 - Action Plan Update**

127 - 136

This report provides an update against the Annual Governance Statement (AGS) Action Plan which identified actions to be taken to address the significant governance issues in 2020/21 AGS, as follows:

- 1) Governance of Children's Social Services - Delivery of the 15-point



action plan has a robust governance structure. Significant improvements have been made from last year, from a weaker starting point than was first realised. All services are showing improvement, albeit with different rates of progress. In December 2021, Ofsted completed an inspection of local authority children's services visit, the outcome of which will be known in February 2022, when the report will be published. The improvement plan is being adjusted in line with findings of this inspection.

## 2) Governance Arrangements with External Bodies

- a) Parks, charities and trusts – two reports on the governance of public parks have been taken to Audit & Governance Committee in the year. The December 2021 report made recommendations including for a report to assess all BCP parks and open spaces trusts arrangements, including options for governance arrangements. The Internal Audit review resulted in a partial audit opinion, meaning there are weaknesses in the control framework which are putting service objectives at risk.
- b) Partnerships – progress has been made to develop a corporate partnership register and draft guidance, however, this has been slower than anticipated and is now due to be completed by 31/3/2022.

Progress to ensure full compliance with the Financial Management Code from 2021/22 is underway. The Council's Finance transformation programme, along with other measures, is expected to deliver improvements, savings and efficiencies.

## 10. **Assurance Framework & Internal Audit Planning Consultation**

137 - 144

This report sets out the BCP Assurance Framework which identifies the different sources of assurance received across the Council. An additional key assurance area, Sustainable Environment, has been added to the Assurance Framework.

The report also provides details of the proposed 2022/23 Internal Audit Plan approach. Following the PSIAS assessment this year the audit planning process has been enhanced to ensure links to corporate priorities and risks are clearly articulated.

## 11. **Internal Audit - Quarterly Audit Plan Update**

145 - 150

This report details progress made on delivery of the 2021/22 Audit Plan for the period October to December (inclusive) 2021. The report highlights that:

- Fifteen audit assignments have been completed, of which there were thirteen 'Reasonable' and one 'Partial' audit opinions and there was also one 'Consultancy' audit review;
- Twenty six audit assignments are in progress;
- Implementation of audit recommendations is satisfactory;

Further progress to address the recommendations and suggestions made in the Public Sector Internal Audit Standards external assessment has been made resulting in one recommendation and three suggestions being implemented.

## **12. Forward Plan (refresh)**

151 - 154

This report sets out the reports to be considered by the Audit & Governance Committee for the 2021/22 municipal year in order to enable it to fulfil its terms of reference.

No other items of business can be considered unless the Chairman decides the matter is urgent for reasons that must be specified and recorded in the Minutes.

**BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL**  
**AUDIT AND GOVERNANCE COMMITTEE**

Minutes of the Meeting held on 01 December 2021 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr D Butt, Cllr M Cox, Cllr L Fear, Cllr A Filer, Cllr M Phipps and  
Cllr Dr F Rice

46. Apologies

Councillor Brooke had submitted his apologies for absence on the basis that he was unable to attend the meeting in person although, the Chairman, in exercise of his discretion, allowed Councillor Brooke to address the meeting remotely.

47. Substitute Members

There were no substitute members.

48. Declarations of Interests

There were no declarations of interest.

49. Public Issues

There were no public issues.

50. Report of the Constitution Review Working Group - Changes to the Constitution

Members were reminded of the Terms of Reference of the Committee requiring the maintenance of an overview of the Council's Constitution and, that, in discharge of this responsibility, a Working Group had been established. Over a period of time the Working Group had considered suggestions received from a wide variety and range of sources including input from Councillors and from Officers. Prior to commencement of its work, the Chairman of the Audit and Governance Committee had also written to all members of Council asking them to submit items for discussion and consideration. It was explained that the current report now pulled together into a single document all of the changes proposed including those already approved by the Council and those which had formed the subject of discussion over recent months.

To assist the Committee the agenda also included for discussion and debate a copy of the proposed new document clearly displaying, in track changes format, all of the proposed alterations.

The Committee received and considered in turn the proposed revisions to each Part of the Constitution with all the changes, alterations and clarifications proposed by the Working Group clearly identified within the ‘tracked changes’ version of the new document. This enabled clear identification of those section and textual passages submitted for removal and addition and also highlighted the improvements in terms of formatting, presentation, cross-referencing and ease of access.

It was noted that although being live-streamed for public viewing, the meeting was, because of its ‘virtual’ format, not a decision making meeting and that the outcome of the virtual meeting would therefore form the basis of a recommendation to the subsequent ordinary meeting of the Committee on 2 December 2021. Any recommendations arising from the Committee on 2 December 2021 would be referred on to full Council.

The Committee also considered and carefully discussed, by reference to the consecutive numbered parts of the Constitution, a range of issue recently considered by the Working Group and as set out in the covering report.

As the Committee considered the provisions within the draft documents, additional typographical errors were identified all of which would be reflected within the final adopted version.

#### Part 1 – Constitution – Summary and explanation

There was discussion about the role of ‘Cabinet Lead Members’ and particularly the way in which they could contribute to the process of overview and scrutiny. There was clarity that Lead Members who were currently also members of an Overview and Scrutiny Committee should not contribute to discussion of a subject in which they were involved as a Lead Member. The view of the Committee was that the Working Group should be asked to review this as part of its new programme of work going forward. The issue identified particularly for further discussion was whether the rules relating to a Lead Member should be revised and there was some support for excluding Lead Members from membership of Overview and Scrutiny Committees. This was an area which was outside the current review but one which the Working Group would need to give balanced consideration after receiving the appropriate advice.

**Subject as above, the Committee was supportive of the proposed improvements to Part 1 as set out and was supportive of the revisions being submitted to the next meeting of the Audit and Governance Committee for a decision on formal recommendation to Council.**

#### Part 2 – Articles of the Constitution

Article 15 had been incorporated into the Constitution in response to the needs of the national pandemic. Although some parts were now obsolete, there were other elements which were an improvement and which were proposed for retention. There remained the opportunity to reintroduce pandemic responses if necessary through use of existing emergency provisions.



In relation to Article 10, the Committee also considered the importance of providing clarification for complainants about their rights to receive a reply to complaints that have been lodged.

**Subject as above, the Committee was supportive of the proposed improvements to Part 2 as set out and was supportive of the revisions being submitted to the next meeting of the Audit and Governance Committee for a decision on formal recommendation to Council.**

Part 3 – Responsibility for functions

The scheme of delegations, previously retained within service divisions, had now been incorporated within the Constitution to improve accessibility for users. There was improved clarity about local choice functions and about Councillor and Officer indemnity provisions.

There was also discussion about the detail of proposals for establishment of an additional Overview and Scrutiny Committee. The number of Members sitting on each Overview and Scrutiny Committee was identified as an area for further discussion with emphasis on achieving the correct balance between Committee effectiveness and opportunity for Member involvement.

Following discussion within the Working Group, consideration of the relative merits of Member involvement, through the Appeals Committee, with staff appeals against dismissal, this matter had been referred for further discussion at the Committee. After debating this at length and following an informal vote, the removal of this role from Members and deletion of the function from the terms of reference of the Appeals Committee was supported.

**Subject as above, the Committee was supportive of the proposed improvements to Part 3 as set out and was supportive of the revisions being submitted to the next meeting of the Audit and Governance Committee for a decision on formal recommendation to Council.**

Part 4 – Procedure Rules

Whilst the core components of Part 4 remained in place, the section had been streamlined.

The Committee considered proposals for August recess, petitions, order of business and public questions at Council and there was a key focus on measures aimed at improving the quality of discussion and debate at Council meetings including the way in which disorderly conduct was addressed. There was one Councillor who was in opposition to the proposals for a recess.

**Subject as above, the Committee was supportive of the proposed improvements to Part 4 as set out and was supportive of the revisions being submitted to the next meeting of the Audit and Governance Committee for a decision on formal recommendation to Council.**

Members were reminded that Part 5 of the Constitution (Financial Regulations) did not form part of the current process of review.

Part 6 – Code of Conduct and Protocols

It was explained that the emphasis going forward was that all relevant and current protocols should be maintained in one place. It was noted that the ‘Planning Committee protocol for public speaking’ would also be added to the suggested list of Local protocols being listed within this part of the Constitution.

**Subject as above, the Committee was supportive of the proposed improvements to Part 6 as set out and was supportive of the revisions being submitted to the next meeting of the Audit and Governance Committee for a decision on formal recommendation to Council.**

Matters for future review by the Constitution Review Working Group

In summary, and though not part of the current review, the following issues had been identified by the Committee for referral back to the Constitution Review Working Group for consideration when it began its work again in the New Year. This initial list included:

- The number of Members on Overview and Scrutiny Board and Committees and the status and role of Cabinet Lead Members;
- Clarification about the powers of the Head of Paid Service in relation to contracted workers;
- Issues around standing to speak at Council and associated etiquette;
- The process for interpretation of Procedure Rules – who has the final say; and
- Code of Conduct issues – particularly dealing with complaints by Councillors against fellow Councillors.

•

The Chairman also informed the Committee that, as he had done in previous years, it was his intention to write to all members of Council inviting submission of new items and subject areas for consideration and review by the Working Group.

The Chairman and Members of the Committee recorded their appreciation of the work undertaken by the Working Group and the Officers involved in the process.

The meeting ended at 8.57 pm

CHAIRMAN

**BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL**  
**AUDIT AND GOVERNANCE COMMITTEE**

Minutes of the Meeting held on 02 December 2021 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr D Butt, Cllr M Cox, Cllr L Fear, Cllr A Filer, Cllr M Phipps and  
Cllr Dr F Rice

51. Apologies

An apology for absence was received from Councillor Brooke.

52. Substitute Members

There were no substitute members.

53. Declarations of Interests

Councillor Williams declared an interest as a Board Member of the Lower Gardens Trust.

54. Confirmation of Minutes

The Minutes of the meeting held on 28 October 2021 were confirmed as a correct record.

55. Public Issues

There were no public issues.

56. 2020/21 Statements of Accounts and Audit Findings Report

The Committee noted that the external audit of the Statement of Accounts for the year ended 31 March 2021 for BCP Council had not yet reached a sufficient level to present materially accurate accounts to the Audit and Governance Committee alongside the Grant Thornton Audit Finding Report.

It was explained that the delay had arisen due to a combination of factors including: the impact of COVID-19 on both the complexity of the audit and pace at which it could be completed; the continued inherent complexity and disclosure requirements of Local Government financial reporting and the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations.

The Committee was advised that the situation was allowed for under statutory regulations and that a notice of the delayed audit could be found on the Council's website confirming the delay in publishing the audited 2020-21 Statement of

Accounts in line with the publication date of 30 September 2021. For context, over 90% of local authority audits for 2020/21 had missed the 30 September deadline. The Council was continuing to work closely with the external auditor to ensure the required work was completed as soon as possible and could be presented to the Committee as soon as possible.

In noting the current position and that a further report would be presented to the Committee, the Chairman of the Committee also thanked the Head of Finance and his team for their work in presenting a very helpful and informative informal briefing session for the Committee on the subject of the Statement of Accounts.

57. Report of the Constitution Review Working Group - Changes to the Constitution

The Monitoring Officer and the Head of Democratic Services presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

Members were referred to discussions at the special meeting of the Committee held on the previous day and were reminded that, although being live-streamed for public viewing, it was not a decision making meeting because of its 'virtual' format. The report which had been discussed and debated on the previous day had been re-issued with the agenda and the same members of the Committee were present. Proposals from the Committee would be the subject of recommendation to Full Council.

The Chairman outlined the nature of the consensus which had been reached following the in-depth discussion and debate on the previous day.

Once again, the Chairman recorded his thanks to the Chairman, Vice-Chairman and members of the Constitution Review Working Group and to the Officers involved in bringing forward to the Committee the revised Constitution in its current format.

The Chairman also reminded the Committee of a number of issues which, though not part of the current review, had been identified by the Committee for referral back to the Constitution Review Working Group for consideration when it began its work again in the New Year. This initial list included:

- The number of Members on Overview and Scrutiny Board and Committees and the status and role of Cabinet Lead Members;
- Clarification about the powers of the Head of Paid Service in relation to contracted workers;
- Issues around standing to speak at Council and associated etiquette;
- The process for interpretation of Procedure Rules – who has the final say; and
- Code of Conduct issues – particularly dealing with complaints by Councillors against fellow Councillors.

The Chairman also informed the Committee that, as he had done in previous years, it was his intention to write to all members of Council inviting submission of new items and subject areas for consideration and review by the Working Group.



**RECOMMENDED TO COUNCIL**

- (a) that the views and recommendations of the Constitution Review Working Group as considered by the Audit and Governance Committee and as set out in the relevant parts of the Constitution be approved as follows:-
- (i) that the proposed changes to Part 1 (Constitution Summary and Explanation) be adopted;
  - (ii) that the proposed changes to Part 2 (Articles of the Constitution) be adopted subject to the following amendments:-
    - Article 3, paragraph 3.1.4 (a), relating to the rights of the public, being amended to read “Complain to the Council where there is an alleged breach of the Councillors’ Code of Conduct. The arrangements for dealing with allegations of breach of the Code of Conduct for Councillors is set out in Schedule 1 to Part 6 of this Constitution.”;
  - (iii) that, subject to (iv) below, the proposed changes to Part 3 (Responsibility for Function and Officer Scheme of Delegation) be adopted subject to:-
    - Part 3A, paragraph 7.1.1 being deleted (i.e. the removal of responsibility for personnel-related appeals);
  - (iv) that a Place Overview and Scrutiny Committee comprising 11 members, meeting six times per annum be established from the Annual Meeting of Council in May 2022, subject to the remit as outlined in Part 3A, paragraphs 4.7 and 4.8 of the proposed Constitution being amended to read:-
    - “4.7 The Place Overview and Scrutiny Committee will be responsible for carrying out those duties as outlined in 4.2.7 to 4.2.13 above, in relation to matters such as strategic planning, house building, homes, environment, cleansing, waste, transport and sustainability.”
    - “4.8. This Committee carries out all the Council’s overview and scrutiny functions relating to flood risk management as required by legislation.”
  - (v) that the proposed changes to Part 4 (Procedure Rules) be adopted, subject to:-
    - 1. the words “A Councillor may ...” in Part 4D, paragraphs 13.17 (Points of Order) and 13.18 (Personal Explanation) being replaced with “A member of the meeting may...”;
    - 2. Part 4D, paragraph 24.1 (Disorderly conduct by Councillors), second sentence, being amended to read “If the misconduct continues, the person presiding or any other Councillor may move “That the Councillor be not further heard for the item being debated” or “That the Councillor be not further heard for the remainder of the meeting”.
  - (vi) That the proposed changes to Part 6 (Code of Conduct and Protocols) be adopted, subject to the inclusion of the Planning Committee Protocol for Public Speaking as a Local Protocol within this Part;

- (b) **that necessary and consequential technical and formatting related updates and revisions to the Constitution, including the minor textual corrections identified by the Audit and Governance Committee, be made by the Monitoring Officer in accordance with the powers delegated.**

Voting : Unanimous

58. BCP Council Parks Governance Arrangements

The Interim Director of Environment and the Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

The Committee was reminded of the presentation received in June 2021 and a further copy of the accompanying slides had been circulated with the agenda. This provided background to the variety of inherited parks governance arrangements inherited from the BCP Council legacy Councils. Each of these was set out and explained and it was clear that there was a case to seek to simplify and reduce these variations for the sake of clarity, efficiency and effectiveness.

Some arrangements were explained to have origins in Acts or Agreements that could not be ignored or replaced without proper legal and financial due diligence, options appraisal and decision made at the appropriate level. Other governance arrangements, such as Board meetings for the Lower Gardens Trust, had been impacted by the Covid-19 pandemic but it was nevertheless accepted that these bodies should properly have been meeting and apologies for this were offered. It was reported that, in the case of the Lower Gardens Trust particularly, and as a matter of urgency, a meeting of the Trust Board was being arranged to take place during December.

There was agreement that stronger parks governance arrangements was a priority although there was reassurance and recognition that the parks service was being well managed and delivered and attracting high levels of recorded customer satisfaction in excess of the national figures.

A number of specific issues had been identified by the Committee in June for further investigation and report and at that time the Monitoring Officer was also requested to provide an opinion upon the current arrangements.

In parallel, it was also reported by the Head of Audit & Management Assurance that the scope of an internal audit review already taking place had been refocussed with a wider scope to take account of Councillors' comments. The summary of these internal audit findings were set out with the agenda and, although not yet finalised, the overall opinion of the audit was likely to be one of 'Partial Assurance' identifying some weaknesses in the control framework which may put service objectives at risk. The Committee was advised that confirmation of the final position would be reported to the Audit and Governance Committee in January 2022 as part the Internal Audit Quarterly Update Report.

Members of the Committee raised a number of specific questions about funding and the process of bidding for financial support and about the role of the Council. Specific details were provided about the role of 'The Parks Foundation' and about how the relationship between BCP Council and the Foundation was set out though a Memorandum of Understanding. Although

there were clearly provisions for Council involvement including specifications of the numbers of Councillor and external representatives, the role of the Audit and Governance Committee was to ensure that the arrangement for governance were robust and that there were arrangements for clear oversight by the Council. There was agreement that revisions to the Memorandum needed to be clear and expressed in such a way that the Committee could check and be satisfied about what was being put in place.

The role of the grant-funded Future Parks Accelerator Project was also explained and this was expected to develop a range of options for the Council to consider about how parks could be governed and maintained for the wider benefit and use by communities for future generations.

The Monitoring Officer was supportive of the review work being undertaking and explained that, due to resources issues preventing the work being undertaken internally, it was proposed to commission an external legally focussed review of the existing arrangements.

**RESOLVED that the Audit and Governance Committee**

- (a) notes the work underway to confirm the role and relationship between the Parks Foundation and the Council including further due diligence and a review of the Memorandum of Understanding;**
- (b) supports the view of the Monitoring Officer that legal services commission, in liaison with the Environment Service, a report that assesses all the trust arrangements in place for parks and open spaces across BCP and produces recommendations for modern governance arrangements;**
- (c) notes that a further report on these governance arrangements and suggestions for the way forward will be considered by a future meeting of the Committee before any changes to arrangements are implemented.**

Voting: Unanimous

59. Process for the appointment of external auditors 2023/24 to 2027/28

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

The Committee was reminded of the statutory requirements relating to appointment of an external auditor of the Council's accounts for each financial year and that the current arrangements in place covered the period up to and including the audit of the 2022/23 accounts.

The BCP Council legacy Councils were reported to have opted in to appointing arrangements established and co-ordinated nationally by Public Sector Auditor Appointments ('PSAA') and PSAA were now commencing a procurement exercise for the next five-year appointing period commencing with the 2023/24 audit.

Full details of the PSAA invitation were provided for the Committee within an appendix to the report. The Committee was advised that the PSAA approach was supported and recommended by the Local Government Association and was used by the vast majority, approximately 98%, of Councils nationwide. The approach to opt in to the national auditor appointment scheme was also reported as being endorsed by the Chief Executive, Chief Finance Officer and Monitoring Officer.

The Committee reviewed the role of the appointed auditor and the options available to the Council. These included options to appoint an auditor directly or in partnership with another authority or to continue with the PSSA model. The relative benefits of the respective options were outlined and discussed within the context of the current local audit market and against the background of the current situation with delays experienced in issuing audit opinions. Officer recommendations were submitted for consideration.

#### **RECOMMENDED TO COUNCIL**

**That Council approves the decision by the Audit and Governance Committee to accept Public Sector Audit Appointments' (PSAA's) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.**

Voting : Unanimous

#### 60. Audit & Governance Committee Forward Plan

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'D' to these Minutes in the Minute Book.

This Plan set out the reports to be received by the Audit and Governance Committee for the 2021/22 municipal year.

It was noted that the subject of 'Tendering and use of Consultants' would be added to the meeting of the Committee on 17 March 2022.

It was noted that an additional meeting may be required at the end of January or in February 2022 to consider the subject of 'Additional Restriction Support Grant (Covid-19)'.

The Committee was informed that an 'All Members Briefing' on the subject of the review of the BCP Council Constitution would take place on Thursday 6 January 2022 at 5.30pm before the recommendations for review were presented to the meeting of Full Council on 11 January 2022.

The Chairman referred to his intention shortly to write to members of the Committee inviting submission of items for possible in-depth consideration by the Committee outside of the 'core business' meetings and this would happen in parallel with development of a new Forward Plan for the 2022/23 Municipal Year.

**RESOLVED that subject as above the Audit and Governance Committee approves the Forward plan set out at Appendix A.**

Voting: Unanimous





This page is intentionally left blank

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>External Auditor – Audit Progress 2020/21 &amp; Sector Update</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>Grant Thornton, as the Council's appointed External Auditors, have produced a report (Appendix A) which provides an update to Audit &amp; Governance Committee on their progress to date in delivering their responsibilities.</p> <p>The report states that the proposed target completion date for their fieldwork was 30 November 2021 and that they aimed to give their opinion on the financial statements by the end of December 2021. However a number of matters have arisen that have resulted in delay to this timetable. Reasons for the delay are included in the report and a revised date for the sign off of the financial statements of February 2022 has been set.</p> <p>Progress has been made on the certification of claims and returns for the Council as detailed in the report.</p> <p>The report states that the Financial Reporting Council (FRC) published its annual report on 29 October 2021 setting out the findings of its review of the work of local auditors. The FRC described Grant Thornton's improvement in audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year'.</p> <p>The report also includes a summary of emerging national issues and developments that may be relevant to the Council.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.</b></p>
Reason for recommendations	<p>To update Audit &amp; Governance Committee on the External Auditor's progress to date in delivering their responsibilities.</p> <p>To advise Audit &amp; Governance Committee of emerging national issues and developments that maybe relevant to the Council.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard

	Head of Audit & Management Assurance ☎01202 128784 ✉nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

## Background

1. During 2017, Public Sector Audit Appointments (PSAA) awarded contracts for audit for a five-year period beginning on 1 April 2018. This year is the third year of that contract, Grant Thornton are the appointed External Auditors for Bournemouth, Christchurch and Poole Council.
2. Grant Thornton, as the Council's External Auditors, have a responsibility to provide regular updates to those charged with governance (Audit & Governance Committee) on progress made in delivering their responsibilities.

## External Audit Progress Report

### Progress at January 2022

3. The attached report (Appendix A) details progress made by Grant Thornton in delivering their responsibilities as external auditors.
4. The report states that the proposed target completion date for their audit fieldwork was 30 November 2021 and that they aimed to give their opinion on the financial statements by the end of December 2021. However, a number of matters have arisen that have resulted in delay to this timetable including:
  - Ongoing queries regarding the valuation of a small number of the Authority's assets that have required further valuations to be undertaken.
  - Complexities inherent within the financial statements have resulted in increased time taken to complete testing of journals and income & expenditure samples.
  - Delay in work undertaken by the auditor of Dorset Pension Fund.

Therefore, a revised timetable of February 2022 for the sign off of the financial statements is planned.

### Certification of claims and returns

5. The following progress has been made on the certification of claims and returns for the Authority:
  - Teachers' Pensions return – work is complete with minimal issues identified.
  - Housing Benefit Subsidy claim – work is significantly progressed and the deadline is 31 January 2022.
  - Pooling of Housing Capital Receipts return – work is due to begin in January 2022.

### Financial Reporting Council annual report

6. The Financial Reporting Council (FRC) published its annual report on 29 October 2021 setting out the findings of its review of the work of local auditors.
7. Grant Thornton are one of seven firms which currently delivers local audit work. The FRC reviewed nine of Grant Thornton's audits and graded six files (67%) as 'Good with limited improvements', three files as 'Improvements required' and none as 'Significant improvements required'.

8. The FRC described the improvement in audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year'.

#### Sector Update

9. The report also includes a summary of emerging national issues and developments that may be relevant to the Council (as a local authority) which includes:
- Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG
  - Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response
  - 2020/21 audited accounts – Public Sector Audit Appointments
  - Guide to support Value for Money (VfM) analysis for public managers – CIPFA
  - Climate change risk: A good practice guide for Audit & Risk Assurance Committees – National Audit Office (NAO)
  - Local government and net zero in England – NAO
  - Cyber and information security: Good practice guide - NAO

#### **Options Appraisal**

10. An options appraisal is not applicable for this report.

#### **Summary of financial implications**

11. The proposed 2020/21 BCP Council Audit fee is £200,500 with an additional £37,000 for the Audit of subsidiary charities (total value £237,500).

#### **Summary of legal implications**

12. There are no direct legal implications from this report.

#### **Summary of human resources implications**

13. There are no direct human resources implications from this report.

#### **Summary of sustainability impact**

14. There are no sustainability impact implications from this report.

#### **Summary of public health implications**

15. There are public health implications from this report.

#### **Summary of equality implications**

16. There are no direct equality implications from this report.

#### **Summary of risk assessment**

17. There are no risk implications from this information report.

#### **Background papers**

None

#### **Appendices**

Appendix A – Grant Thornton – BCP Audit Progress Report and Sector Update

This page is intentionally left blank

# BCP Council Audit Progress Report and Sector Update

**Year ending 31 March 2021**

January 2022

23



# Contents

Section	Page
Introduction	3
Progress at January 2022	4
Audit Deliverables	7
FRC report on Local Audit November 2021	8
Sector Update	10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



# Introduction

25



Peter Barber  
Engagement Lead  
T: 0117 305 7897  
E: peter.A.barber@uk.gt.com



Sam Harding  
Engagement Manager  
T 0117 306 7874  
E sam.g.harding@uk.gt.com



Becky Greaves  
Assistant Manager  
T 0117 305 7717  
E becky.dm.greaves@uk.gt.com

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at January 2022

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in April 2021 and interim audit work commenced shortly afterwards. We began our work on your draft financial statements in August 2021.

A detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements was included in the July Committee papers.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. Last year this date was delayed to 31 August.

26 In those plans we noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts (two months earlier than last year). Given the system-wide pressures set out in our audit plans, we indicated this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year).

Therefore we proposed a target completion date for our audit fieldwork at BCP of 30 November 2021.

We had initially planned to report our work in the Audit Findings Report and aimed to give our opinion on the financial statements by the end of December 2021. A number of matters have since arisen that have resulted in delays to this timetable.

We have ongoing queries regarding the valuation of a small number of the Authority's assets that have required further valuations to be undertaken. Initial discussions have identified that these will result in a material adjustment to the financial statements submitted for audit.

The complexities inherent within the financial statements have also resulted in the time taken to complete our testing of journals and income and expenditure samples to take longer than initially anticipated.

In addition we rely on the work undertaken by the auditor of Dorset Pension Fund to gain assurance over elements of the pension liability figure reported in the Council's accounts. We have been advised by the pension fund auditor that this work will not be completed until the end of January 2022.

On this basis we are now working to a revised timetable of a February 2022 sign off subject to completion of our outstanding work and receipt of the Dorset Pension Fund auditors letter of assurance.

# Progress at January 2022 (cont.)

## Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements.

## Other areas

### Certification of claims and returns

We certify the Authority’s annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in November. DWP has extended the deadline for reporting the findings of this work to 31 January 2022. This work is significantly progressed and we are currently awaiting work to be completed on entries in the form impacted by prior year errors which is being undertaken by Authority’s benefits staff.

We certify the Authority’s annual Teachers’ Pensions return in accordance with procedures agreed with Teachers’ Pensions. The certification work for the 2020/21 return is complete with minimal issues identified.

We also certify the Authority’s annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2020/21 return is due to begin in January.

### Meetings

We met with Finance Officers in December as part of our monthly liaison meetings and continue to be in discussions with finance staff regarding emerging issues.

# Progress at January 2022(cont.)

## Whole of government accounts

The Council is required to complete a return to MHLCG annually which we are required to certify. The return will not be available until December and our work in this area will not be completed until January 2022. We are unable to certify the audit until this work is completed.

## Objection to the accounts

We have received an objection to the 2020/21 accounts covering a number of areas. We are considering the points raised by the elector during the course of our audit work.

## Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers will be invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

29

## 2020/21 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.

Planned Date

July 2021

Status

Complete

### Interim Audit Findings

We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.

October 2021

Complete

### Audit Findings Report

The Audit Findings Report will be reported to the Audit and Governance Committee.

February 2022  
(revised)

### Auditors Report

This includes the opinion on your financial statements.

February 2022  
(revised)

### Auditor's Annual Report

This Report communicates the key issues arising from our Value for Money work.

March 2022

Not yet due

## 2020/21 Audit-related Deliverables

### Teachers Pensions Scheme – certification

This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.

30 November 2021

Complete

### Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

31 January 2022

Not yet due

### Pooling of housing capital receipts - certification

This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.

4 February 2022

Not yet due

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

30

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# FRC report (cont.)

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

31 Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government



# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

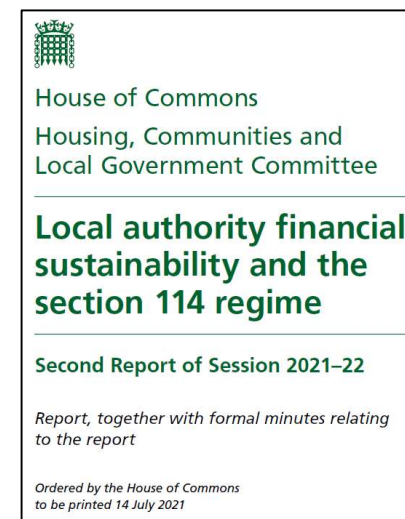
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting  
on local government in  
England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

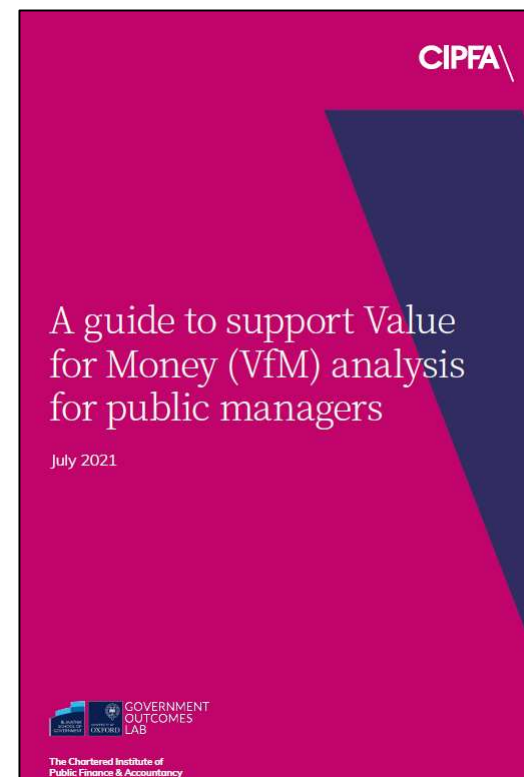
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)



# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

39 Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

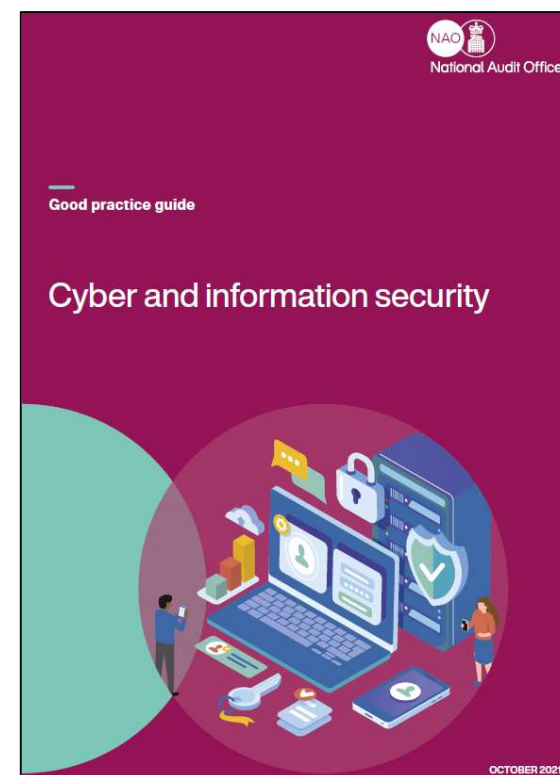
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>









## Audit & Governance Committee

Report Subject	<b>Treasury Management Monitoring report for the period April to December 2021 and Treasury Management Strategy 2022/23</b>
Meeting date	13 January 2022
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2021 to 31 December 2021. A surplus of £619k will be achieved through lower borrowing costs due to historically low interest rates and higher interest earned on investments.</p> <p>The Treasury Management Strategy 2022/23 is included as an appendix to this report. Key changes to the strategy have been set out in paragraphs 18-20 as well as inclusion of analysis of the approach to finance more of the capital programme through borrowing.</p> <p>The report also sets out in paragraph 29-31 to modify the council's accounting policy surrounding capitalisation of interest during the construction of major capital projects.</p>
Recommendations	<p><b>It is recommended that Audit &amp; Governance Committee:</b></p> <ol style="list-style-type: none"> <li>1) note the reported activity of the Treasury Management function for the period ending 31 December 2021</li> <li>2) Approve the Treasury Management Strategy 2022/23 &amp; Treasury Management Policy, Practices and Schedules included in Appendix 1 and 2</li> <li>3) Note the current position on debt levels of the council set out in Appendix 3</li> <li>4) Approve the change in accounting policy surrounding capitalisation of interest set out in paragraph 29-31</li> </ol>
Reasons for recommendations	It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members.
Portfolio Holder	Councillor Drew Mellor, Leader, Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Service Director	Adam Richens - Chief Financial Officer
Classification	For information and recommendation

Report author	Matthew Filmer, Acting Assistant Chief Financial Officer ☎ 01202 128503 ✉ <a href="mailto:matthew.filmer@bcpcouncil.gov.uk">matthew.filmer@bcpcouncil.gov.uk</a>
---------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2021).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

## Economic Background

5. The Bank of England (BoE) on 16 December 2021 raised interest rates for the first time in more than three years. The Bank's Monetary Policy Committee (MPC) voted 8-1 in favour of the increase to 0.25%, up from the record low of 0.1% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
6. The BoE cited that inflation was the main driver for the increase. The CPI measure of inflation showed the cost of living surged by 5.1% (up from 4.2%) in the 12 months to November 2021, the highest annual rise since September 2011. Inflation will remain the biggest concern for the UK and global economies, with more recent increases in prices, particularly the increases in gas and electricity prices in October 2021 and due again in April 2022, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent.
7. The BoE have suggested that inflation could peak to around 6% in the first quarter of 2022. The rate is clearly higher than the Bank of England's 2% inflation target so this comment is fuelling debate about whether interest rates will need to go up further during 2022.
8. The ongoing Covid pandemic will also be cause of further concern in the UK economy with the latest Omicron variant likely to cause further disruption.

## Interest Rates

9. Table 1 below which is produced by the authority's treasury consultants Link Asset Services illustrates that there is an expectation that the bank rate will increase again as soon as June 2022.

**Table 1: Interest rate projection (Link Asset Services)**

Bank Rate	Interest Rate Forecasts							
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Link	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%
Cap Econ	0.25%	0.25%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%
<b>5Y PWLB RATE</b>								
Link	1.40%	1.50%	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%
Cap Econ	1.40%	1.50%	1.50%	1.60%	1.60%	1.70%	1.80%	1.90%
<b>10Y PWLB RATE</b>								
Link	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Cap Econ	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%
<b>25Y PWLB RATE</b>								
Link	1.80%	1.90%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%
Cap Econ	1.80%	1.80%	1.80%	2.00%	2.00%	2.10%	2.10%	2.20%
<b>50Y PWLB RATE</b>								
Link	1.50%	1.70%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%
Cap Econ	1.50%	1.60%	1.70%	1.70%	1.80%	2.00%	2.10%	2.20%

## Treasury Management Performance 2021/22

10. Table 2 below shows the overall treasury management position for 2021/22. The current forecast is an underspend of £619k which will be mostly achieved from savings on the interest payable budget. Despite the Council taking out new PWLB borrowing of £25m in August 2021, this was at a historically low rate, far lower than assumed in the budget. An additional £17m was borrowed in November 2021 following a switch of loans held by both loans' pools between the Housing Revenue Account and General Fund.
11. Investment income is also forecasted to provide additional £122k interest received beyond the budget. This is due to higher cash balances than assumed coming into this financial year. The Government provided funding to the Council in relation to the Covid-19 pandemic such as financial support to businesses which the Council has distributed during 2020/21. Most of these schemes have now finished and there are some unspent monies that need to be returned to the Government later in the year.

**Table 2: Treasury Management Performance 2021/22**

	Forecast 2021/22 £'000	Budget 2021/22 £'000	Variance 2021/22 £'000
<b><u>Expenditure</u></b>			
Interest Paid on Borrowings	2,684	3,181	(497)
<b><u>Income</u></b>			
Investment Interest Received	(167)	(45)	(122)
<b>Total</b>	<b>2,517</b>	<b>3,136</b>	<b>(619)</b>

## Borrowing

12. Table 3 below shows the closing level of borrowing for the Council's two loans pools.

**Table 3: Council Borrowings as at 31 December 2021**

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2021 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
<b>Short Term Borrowing</b>						
2,000	8.00%	2,000	25-Nov-2022	-	2,000	PWLB
<b>2,000</b>		<b>2,000</b>		<b>-</b>	<b>2,000</b>	
<b>Long Term Borrowing</b>						
5,000	2.66%	833	22-Aug-2023	-	833	PWLB
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
10,000	1.83%	10,000	22-Jul-2046	10,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
17,000	1.54%	17,000	17-May-2068	17,000	-	PWLB
12,500	1.56%	12,500	16-Aug-2068	12,500	-	PWLB
12,500	1.55%	12,500	16-Aug-2069	12,500	-	PWLB
<b>193,896</b>		<b>189,729</b>		<b>62,000</b>	<b>127,729</b>	
49,000	2.83%	48,747	24-May-2068	48,747	-	Phoenix Life Limited
22,625	2.26% + RPI Annually	16,480	17-Oct-2039	16,480	-	Prudential Assurance Co
3,673	0.00%	255	01-Apr-2023	255	-	Salix
<b>271,194</b>		<b>257,211</b>		<b>127,482</b>	<b>129,729</b>	

## Investments

13. A full list of investments held by the authority as at 31 December 2021 is shown in Table 4 overleaf.

**Table 4: Investment Summary as at 31 December 2021**

Investments	Maturity Date	Principal Amount £	Interest %
<b><u>Fixed Term Deposits</u></b>			
Landesbank Hessen Thuringen	07-Jan-2022	18,200,000	0.06%
Landesbank Hessen Thuringen	07-Jan-2022	16,000,000	0.15%
Goldman Sachs International Bank	16-Feb-2022	7,850,000	0.17%
Close Brothers	29-Mar-2022	10,000,000	0.25%
Close Brothers	24-May-2022	15,000,000	0.40%
Goldman Sachs International Bank	17-Jun-2022	15,000,000	0.47%
Goldman Sachs International Bank	30-Jun-2022	9,000,000	0.52%
<b>Sub Total</b>		<b>91,050,000</b>	
<b><u>Call Account</u></b>			
Santander UK	120 day notice	22,825,000	0.25%
Aberdeen Standard Liquidity Fund	instant access	19,585,000	0.05%
HSBC Sterling Liquidity ESG Fund	instant access	34,650,000	0.09%
<b>Total</b>		<b>168,110,000</b>	

14. The Treasury Management function has continued to achieve higher average returns of 0.13% for the period 1 April 2021 to 31 December 2021 for its combined investment compared to the average 7-day benchmark rate of (0.07%).

### **Prudential Indicators**

15. The Treasury Management Prudential Code Indicators were set as part of the 2021/22 Treasury Management Strategy as agreed with Council in February 2021. It can be confirmed that all indicators have been complied with during the period 1 April 2021 to 31 December 2021.

### **Compliance with Policy**

16. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in December 2021 rated the Treasury Management function as "Reasonable" assurance which means that there is basically a sound control framework there are some weaknesses identified.
17. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or 20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed

that the Treasury Management Strategy has been complied with during the period 1 April 2021 to 31 December 2021.

### **Treasury Management Strategy 2022/23**

18. The Treasury Management Strategy is produced each year in accordance with the CIPFA Code of Practice on Treasury Management. It sets out how the Council's Treasury service will support capital investment decisions, and how the treasury management operates day to day. It sets out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate. The strategy is included as Appendix 1 to the report.
19. CIPFA published updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current strategy reports for 2022/23 but full implementation would be required for 2023/24.
20. It should also be noted that the Department of Levelling Up, Housing and Communities (DLUHC) is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield which have to be abided to straight away before full implementation in 2022/23.

### **Capital investment programme – Debt Headroom**

21. On 29 July 2021, the Audit and Governance Committee was provided with an analysis of the Council debt plans which considered the Council's ambition to invest in its local community and regenerate areas of the conurbation as expressed through its "Big Plan". The large-scale projects which underpin such ambition will, by and large, need to be funded through increased borrowing if the Council is to retain ownership of the assets created.
22. Through the financial strategy Cabinet endorsed the intention to move the self-imposed debt levels to the mid-point of all upper tier authorities as a percentage of net revenue expenditure. Such an approach enabled the Council to determine that it had debt headroom of £212 million compared to its 31 March 2024 forecast position. The headroom was additional to the £184m already set aside to support service delivery, housing, and regeneration schemes over the next three years such as those being delivered to increase our housing stock and the schemes being delivered by the Bournemouth Development Company (BDC).
23. Subsequently Audit and Governance Committee and then Council approved the necessary adjustments to our treasury management prudential indicators to enable this change in approach to be implemented.
24. A key element of the Treasury Strategy is to ensure planned Capital spend remains affordable and within this the self-imposed debt headroom of £212m.

25. Appendix 3 of this report sets out the schedule that itemises by scheme how the Councils total borrowings (HRA and GF) will change based on the planned capital expenditure for 2022/23 onwards. This change has been reflected in the prudential indicators of the Treasury Management strategy ultimately increasing the level of future borrowing required.

### **Recommended changes to the Treasury Management Strategy 2022/23**

26. Following a discussion with the Chair and Vice Chair of Audit and Governance Committee it is planned that a Treasury Management training session will take place in the summer of 2022 conducted by the councils Treasury Management Advisors Link Asset Group.
27. For approved investment bodies it is proposed to extend the options to include Police and Fire authorities. Although local bodies are rarely used as investments options occasionally deals have been forthcoming which have been competitive.
28. The 2022/23 Accounting code of practice will require all leases to be added to the balance sheet, which will in effect increase the Councils liabilities and therefore its overall Capital Financing Requirement. It is prudent to ensure that we have estimated the impact of this accounting change in the Treasury Management strategy to ensure sufficient headroom has been allowed for in the Councils prudential indicators.

### **Accounting Policy - Capitalisation of Interest – borrowing costs for Investment and Acquisition Strategy Developments**

29. In preparing the Statement of Accounts, the Section 151 Officer is responsible for selecting suitable accounting policies and ensuring that they are applied consistently. Accounting policies are the specific principles, conventions, rules and practices applied in preparing and presenting the financial statements and set out how transactions are recognised, presented and measured in the accounts.
30. In general accounting policies do not change significantly between years however one change is recommended to be approved for the 2022/23 financial year set out below:
- The council may borrow to meet capital costs for a qualifying asset as part of approved capital programme. It is the council's policy to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, with capitalisation of interest against the qualifying asset.
  - The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.
  - A qualifying asset will be that which takes more than two years to get ready for intended use and where the forecast expenditure is in excess of £10m.
  - Interest will be capitalised on a quarterly basis and will be based on the weighted average of the borrowing costs that are outstanding during the period. Cessation of capitalisation will occur when substantially all the

activities necessary to prepare the qualifying asset for its intended use are complete.

31. The proposed change in the accounting policy is fully compliant with CIPFA accounting code of practice and will be included in the Statement of Accounts Accounting Policies. Materiality will be key in determining whether a separate disclosure is needed.

### **Summary of Financial/Resource Implications**

32. Financial implications are as outlined within the report.

### **Summary of Legal Implications**

33. There are no known legal implications.

### **Summary of Equalities and Diversity Impact**

34. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

### **Summary of Risk Assessment**

35. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

### **Credit Risks**

36. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council's position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

### **Liquidity Risks**

37. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

### **Re-financing Risks**

38. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.



## **Interest Rate Risks**

39. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

## **Price Risk**

40. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

## **Background papers**

41. Treasury Management report to Full Council on 23 February 2021  
<https://democracy.bcpccouncil.gov.uk/documents/g4287/Public%20reports%20pack%2023rd-Feb-2021%2019.00%20Council.pdf?T=10>

## **Appendices**

Appendix 1 - Treasury Management Strategy 2022/23

Appendix 2 – Treasury Management Policy, Practices and Schedules

Appendix 3 – Itemised Borrowing for BCP Council – *subject to minor amendments*

This page is intentionally left blank

# Bournemouth, Christchurch and Poole Council (BCP)

## Treasury Management Strategy Statement 2022/23

### Introduction

#### Background

- 1 The Council defines its treasury management activities 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.” Part of the treasury management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 2 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

#### **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework**

- 3 CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.
- 4 The revised codes will have the following implications:
  - a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
  - clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
  - address ESG issues within the Capital Strategy;
  - require implementation of a policy to review commercial property, with a view to divest where appropriate;
  - create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
  - ensure that any long term treasury investment is supported by a business

model;

- a requirement to effectively manage liquidity and longer term cash flow requirements;
  - amendment to TMP1 to address ESG policy within the treasury management risk framework;
  - amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
  - a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).
- 5 In addition, all investments and investment income must be attributed to one of the following three purposes: -

#### **Treasury management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

#### **Service delivery**

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

#### **Commercial return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

- 6 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).
- 7 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

## Reporting Requirements

### Capital Strategy

- 8 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities will prepare an additional report, a capital strategy report, which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

### Treasury Management Reporting

- 9 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
- 10 **Prudential and treasury indicators and treasury strategy** - The first, and most important report covers:
- a The capital plans (including prudential indicators);
  - b A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  - c The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  - d An investment strategy (the parameters on how investments are to be managed).
- 11 **Periodic treasury management report** – This will update members with the progress of the capital position, amending prudential indicators if necessary, and whether any policies require revision. This role is undertaken by the Audit and Governance Committee.
- 12 **An annual treasury management report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 13 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

### Treasury Management Strategy for 2022/23

- 14 The strategy for 2022/23 covers two main areas:

## **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

## **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

- 15 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

## **Training**

- 16 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was provided to all members on the 7<sup>th</sup> January 2020 with support from the Councils Treasury Management advisors. It is planned that more training will be provided during the summer of 2022.
- 17 The training needs of treasury management officers are periodically reviewed.

## **Treasury management consultants**

- 18 The Councils Treasury Management advisors are Link Asset Services.
- 19 The Council recognises that responsibility for treasury management decisions remains with the organisation 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 Capital Prudential Indicators 2022/23 – 2024/25**

- 20 The Council's capital expenditure plans have a key influence over the treasury management activity. The capital expenditure plans are reflected in the prudential indicators, which are designed to assist members' in considering the impact and risk of this Council's capital expenditure plans.

## **Capital expenditure**

- 21 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
General Fund	97,568	151,529	132,076	35,956
HRA	40,672	59,757	49,145	25,522
<b>Total</b>	<b>138,240</b>	<b>211,286</b>	<b>181,221</b>	<b>61,478</b>

22 The following tables summarise the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

### General Fund Capital Expenditure

Capital expenditure	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>General Fund Total</b>	<b>97,568</b>	<b>151,529</b>	<b>132,076</b>	<b>35,956</b>
<b>Financed by:</b>				
Capital receipts	7	93	-	-
Capital grants & Contributions	52,207	75,583	43,560	14,140
Revenue Contributions	588	518	518	518
Reserve Contributions	1,191	778	189	-
Prudential Borrowing (inc HRA Transfers)	43,575	74,557	87,809	21,298
<b>Total financing for the year</b>	<b>97,568</b>	<b>151,529</b>	<b>132,076</b>	<b>35,956</b>

### HRA Capital Expenditure

Capital expenditure	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>HRA Total</b>	<b>40,672</b>	<b>59,757</b>	<b>49,145</b>	<b>25,522</b>
<b>Financed by:</b>				
Capital receipts	3,719	8,258	3,041	1,710
Major Repairs Allowance	17,976	12,718	11,739	12,115
Other Contributions	2,485	1,675	-	-
Reserve Contributions	16,492	11,315	7,647	8,502
Prudential Borrowing	-	25,791	26,718	3,195
<b>Total financing for the year</b>	<b>40,672</b>	<b>59,757</b>	<b>49,145</b>	<b>25,522</b>

### The Council's borrowing need (the Capital Financing Requirement)

23 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which

has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

- 24 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
- 25 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.
- 26 The Council is asked to approve the CFR projections overleaf:

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>Capital Financing Requirement</b>				
CFR – General Fund	345,161	445,509	560,035	584,528
CFR – HRA	142,022	167,987	193,974	196,369
CFR - IAS16 leases estimated impact	-	7,000	7,000	7,000
<b>Total CFR</b>	<b>487,183</b>	<b>620,496</b>	<b>761,009</b>	<b>787,897</b>
<b>Movement in CFR</b>	30,664	133,313	140,513	26,888
<b>Movement in CFR represented by</b>				
Net movement in borrowing for the year (above)	44,766	101,127	114,715	24,493
CFR - IAS16 leases estimated impact	0	7,000	0	0
Less MRP/VRP and other financing movements	(13,041)	(16,410)	(18,938)	(19,352)
<b>Movement in CFR</b>	<b>31,725</b>	<b>91,717</b>	<b>95,777</b>	<b>5,141</b>

- 27 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any borrowing in relation to the authority's overall financial position. The capital expenditure figures and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

## Minimum Revenue Provision (MRP) policy statement

- 28 The Council is required to make a Minimum Revenue Provision (MRP). It is a statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities.
- 29 DLUHC regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.



- 30 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be either:
- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1);
  - **Based on CFR** – MRP will be based on the CFR (option 2);
- 31 These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.
- 32 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be either:
- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
  - **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);
- 33 The type of approach intended by the MRP guidance is clearly to enable local circumstances and discretion to play a part, as the guidance in general contains a set of recommendations rather than representing a prescriptive process. The guidance makes it clear that Councils can follow an alternative approach, provided they still make a prudent provision.
- 34 It was agreed by members of previous Councils that the following MRP policy was applied from 2016/17 onwards:
- In respect of all supported borrowing, capital expenditure incurred prior to 2016/17 (excluding assets acquired under PFI or finance lease arrangements) MRP will be provided at a rate of 2% on a straight-line basis to ensure the balance is fully cleared over the period in line with the useful life of the assets.
  - In respect of all unsupported borrowing, capital expenditure incurred prior to 2016/17 (excluding assets acquired under PFI or finance lease arrangements) the Council will apply the Asset life method as used in previous years and will apply an average life of 25 years for the unsupported borrowing requirement to be repaid over based on historical schemes that have required and applied unsupported borrowing.
  - MRP charges from 1 April 2004 to 31 March 2016 exceeded what prudence required during the period under this revised policy. There will be a realignment of MRP charged to the revenue account in 2016/17 and subsequent years to recognise this excess sum. Total MRP after applying realignment will not be less than zero in any financial year.
  - In respect of capital expenditure incurred in 2016/17 and subsequent financial years MRP will be provided at a rate of 4% on the written down balance.
- 35 In 2017/18 a proposed change was made that the 4% write down method will be used for all assets except for significant individual schemes exceeding £10m (such as asset investments) for which the specific asset life will be used for MRP purposes.

- 36 To allow for further flexibility in the Council MRP policy the Council will look at using specific asset life for individual schemes to ensure the debt repayments are reflective of the value these assets bring. Assets under construction which have yet to fully deliver their expected benefits will not be subject to MRP charges to the Revenue Account until such time as they become operational for a full accounting year. Accordingly, on becoming operational, the charge for MRP will not commence until the following financial year.
- 37 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).
- 38 Repayments included in annual PFI or finance leases are applied as MRP.

## Borrowing

- 39 The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### Current portfolio position

- 40 The overall Treasury Management portfolio as at 31 March 2021 and for the position as at 31 December 2021 are shown below for both borrowing and investments.

	Actual 31/03/2021 £'000	Actual 31/03/2021 %	Current 31/12/2021 £'000	Current 31/12/2021 %
<b>Treasury investments</b>				
Money Market Funds	0	0%	54,235	32%
Bank Deposits	25,180	44%	91,050	54%
Local Authorities	20,000	35%	0	0%
DMO	0	0%	0	0%
Call Account	11,505	20%	22,825	14%
<b>Total Treasury Investments</b>	<b>56,685</b>	<b>100%</b>	<b>168,110</b>	<b>100%</b>
<b>Treasury External Borrowing</b>				
PWLB	141,938	73%	191,729	75%
Local Authorities	35,000	18%	0	0%
Private Sector	17,046	9%	65,227	25%
Salix	507	0%	255	0%
<b>Total External Borrowing</b>	<b>194,491</b>	<b>100%</b>	<b>257,211</b>	<b>100%</b>
<b>Net treasury investment / (borrowing)</b>	<b>(137,806)</b>		<b>(89,101)</b>	

- 41 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>External Debt</b>				
Treasury Debt at 1 April	194,798	285,545	305,545	355,545
PFI and Finance Lease Liability	8,443	7,943	7,443	6,943
Expected change in Debt	90,747	20,000	50,000	50,000
<b>Actual gross debt at 31 March</b>	<b>293,988</b>	<b>313,488</b>	<b>362,988</b>	<b>412,488</b>
<b>The Capital Financing Requirement</b>	<b>487,183</b>	<b>620,496</b>	<b>761,009</b>	<b>787,897</b>
<b>Under / (over) borrowing</b>	<b>193,195</b>	<b>307,008</b>	<b>398,021</b>	<b>375,409</b>

- 42 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.
- 43 The Council has complied with their prudential indicator in the current year and does not envisage difficulties for the future due to the large under borrowing requirement. This view considers current commitments, existing plans, and the proposals in this budget report.

#### **Treasury Indicators: limits to borrowing activity**

- 44 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.
- 45 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.
- a This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- b The Audit and Governance Committee is asked to approve the following authorised limit:

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Operational boundary	797	855	855	855
Authorised limit	847	905	905	905

#### **Prospects for interest rates**

- 46 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided

the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps. The following table gives their view on the base rate and PWLB borrowing costs.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

- 47 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

### Investment and borrowing rates

- 48 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- 49 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- 50 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
  - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
  - PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
  - PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
  - Local Infrastructure Rate is gilt plus 60bps (G+60bps)
- 51 Borrowing for capital expenditure. Links long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk.

- 52 While BCP Council will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### **Borrowing strategy**

- 53 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that need to be considered.
- 54 The Chief Financial Officer has the delegated responsibility to arrange such loans as are legally permitted to meet the Council's borrowing requirement and to arrange terms of all loans to the Council including amounts, periods and rates of interest.
- 55 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- a. if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
  - b. if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### **Policy on borrowing in advance of need**

- 56 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 and that the Council can ensure the security of such funds.
- 57 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **Debt rescheduling**

- 58 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

- 59 If rescheduling was done, it will be reported to the Audit and Governance Committee, at the earliest meeting following its action.

### **Approved Sources of Long- and Short-term Borrowing**

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Community municipal bonds	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority / Police / Fire	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

## **Annual Investment Strategy**

### **Investment Policy**

- 60 The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

- 61 The Council’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

**The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).**

- 62 In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key

ratings used to monitor counterparties are the Short Term and Long Term ratings.

- 63 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- 64 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

### **Creditworthiness policy**

- 65 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- a It maintains a policy covering both the categories of investment types it will invest in, 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; and
  - b 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.
- 66 The Chief Financial Officer 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. These criteria are separate to which types of investment instruments that can be used as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 67 Credit rating information is supplied by Link Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. 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. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 68 The criteria for providing a pool of high-quality investment counterparties (both specified and non-specified investments) is:

### **Sovereign Ratings**

- AAA (non-UK)

*(Rating Description: AAA = Prime Rating, AA+, AA, AA- = High Grade Rating)*

Appendix 2 sets out the current list of countries that the Council can invest funds with.

The UK sovereign rating is currently AA. To ensure that the Treasury Function has capacity to operate effectively no specific minimum UK sovereign rating has been set out.

### **Selection Criteria**

- 69 Banks 1 - the Council will use UK and non-UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard & Poors credit ratings (where rated):

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- 70 Investments will include term deposits, call accounts, notice accounts and Certificate of Deposits.
- a Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
  - b Banks 3 – The Council's own bankers (HSBC, Lloyds and Barclays) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
  - c Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
  - d Building societies. The Council will use societies which meet the ratings for Banks 1 outlined above.
  - e Money Market Funds (MMFs) Constant net asset value (CNAV)
  - f Money Market Funds (MMFs) Low-Volatility net asset value (LVNAV)
  - g Money Market Funds (MMFs) Variable net asset value (VNAV)
  - h Ultra-Short Dated Bond Funds with a credit rating of at least 1.25
  - i Ultra-Short Dated Bond Funds with a credit rating of at least 1.50
  - j Cash Plus Funds
  - k UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF))
  - l Royal Bournemouth and Christchurch Hospital NHS Foundation trusts
  - m Local authorities, Police and Fire Authorities, Parish Councils, BCP Council Companies (Subsidiaries) and Partnerships.
  - n Pooled Funds



## Maximum Time and Monetary Limits applying to Investments

- 71 The maximum amount that can be invested in any one institution at the time of the investment (including call accounts) as a percentage of the total investment portfolio has been reviewed and rationalised. All AA- and above rated institutions have a maximum limit of 25%, all A+, A or A- rated institutions have a maximum limit of 20%. For practical reasons where the average investment balance falls below £10m it may become necessary to increase the percentage limit to 33% at the time of investment (this only applies to call accounts and money market funds).
- 72 The maximum time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Long Term Rating	Money Limit	Time Limit
Banks 1 higher quality	AA-	25%	2 years
Banks 1 medium quality	A	20%	1 year
Banks 1 lower quality	A-	20%	6 months
Banks 2 category – part-nationalised RBS / Nat West	N/A	20%	2 years
Banks 3 category – Council's banker HSBC	AA-	25%	3 months
UK Government (including gilts, Treasury Bills and the DMADF)	AAA	25%	6 months
Local Authorities	N/A	20%	5 years
Royal Bournemouth and Christchurch Hospital NHS Foundation Trusts	N/A	Fixed investment £14.9m	15 years
Money Market Funds CNAV	AAA	25%	Instant access
Money Market Funds LVNAV	AAA	25%	Instant access
Money Market Funds VNAV	AAA	25%	Instant access
Ultra-Short Dated Bond Funds	N/A	25%	Unlimited

Cash Plus Funds	AAA	25%	Unlimited
UK Gilts	UK Sovereign Rate	25%	5 years

### **Use of additional information other than credit ratings**

- 73 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies 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 will be applied to compare the relative security of differing investment counterparties.

### **Investment strategy**

#### **In-house funds**

- 74 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

#### **Investment returns expectations**

- 75 Bank Rate is forecast to increase from the current 0.25% in May 2022.
- 76 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):
- 2022/23 0.50%
  - 2023/24 0.75%
  - 2024/25 1.00%
  - 2025/26 1.25%

#### **Investment treasury limit**

- 77 The maximum period for investments will be 5 years except the Royal Bournemouth and Christchurch Hospital NHS Foundation Trusts investment.

### **Ethical Investing**

- 78 This is an area of investing that is becoming increasingly considered by financial institutions and customers. Products from financial institutions are growing but still remain limited. To consider investing in sustainable deposits they will still need to meet our counterparty criteria and parameters set out earlier in the strategy. Investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues must play a subordinate role to those priorities. The Treasury team will continue to explore this area and report to members of any further developments.

### **Treasury Management Policy, Practices and Schedules**

- 79 The Treasury Management Policy, Practices and Schedules will be presented alongside this 2022/23 update of the TM Strategy.

## **Appendices**

Appendix 1 - Economic Background and interest rate forecasts

Appendix 2 - Approved Countries for investments

## **Appendix 1: Economic Background (provided by Link Asset Services)**

### **COVID-19 vaccines.**

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

### **A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE**

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3<sup>rd</sup> February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5<sup>th</sup> May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

## **MPC MEETING 16<sup>th</sup> DECEMBER 2021**

The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30<sup>th</sup> September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

**On 10<sup>th</sup> December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

**On 14<sup>th</sup> December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

**On 15<sup>th</sup> December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

**Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and

then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

On the other hand, it did also comment that "**the Omicron variant is likely to weigh on near-term activity**". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time**, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a **"modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3<sup>rd</sup> February. Once 0.50% is reached, the Bank would act to start

shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

**The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

- Raising Bank Rate as “the active instrument in most circumstances”.
- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

**US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

**Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

**Inflation hitting 6.8%** and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

**EU.** The slow roll out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

**November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation



is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

**ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

**CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible,



this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

**WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

**SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

## **Appendix 2: Approved countries for investments**

AA-

- United Kingdom

AA

- France

AA+

- Canada
- Finland
- U.S.A.

AAA

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

# **Bournemouth, Christchurch and Poole Council**

## **Treasury Management Policy, Practices and Schedules**

### **Treasury Management Practices and Schedules**

The Treasury Management Practices (TMPs) and Schedules set out the manner in which the Council will seek to achieve its Treasury Management Policies and objectives and how it will manage and control those activities.

TMP 1 – Treasury Risk Management

TMP 2 – Best Value and Performance Measurement

TMP 3 – Decision-Making and Analysis

TMP 4 - Approved Instruments, Methods and Techniques

TMP 5 - Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

TMP 6 - Reporting Requirements and Management Information Arrangements

TMP 7 - Budgeting, Accounting and Audit Arrangements

TMP 8 - Cash and Cash Flow Management

TMP 9 - Money Laundering

TMP 10 - Staff Training and Qualifications

TMP 11 - Use of External Service Providers

TMP 12 - Corporate Governance

## **TMP1 Treasury Risk Management**

- 1 The S151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

### **Credit and Counterparty Risk Management**

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

- 2 The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, we will ensure that the counterparty list and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit the investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document. The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.
- 3 The S151 Officer 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. These criteria are separate to which types of investment instruments that can be used as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 4 The minimum rating criteria uses method of selecting counterparties and applying limits. The Council will use UK and non-UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard and Poor's credit ratings. Credit rating information is supplied by Link Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. 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. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 5 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

## Sovereign Ratings

- AA (UK)
- AAA (non UK)

*(Rating Description – AAA = Prime Rating, AA+, AA, AA- = High Grade Rating)*

## Selection Criteria

- Banks 1 - the Council will use UK and non UK banks which have, as a minimum at least one of, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

Investments will include term deposits, call accounts, notice accounts and CD's.

- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own bankers (HSBC, Lloyds and Barclays) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies. The Council will use societies which meet the ratings for Banks 1 outlined above.
- Money Market Funds (MMFs) Constant net asset value (CNAV)
- Money Market Funds (MMFs) Low-Volatility net asset value (LVNAV)
- Money Market Funds (MMFs) Variable net asset value (VNAV)
- Ultra-Short Dated Bond Funds with a credit rating of at least 1.25
- Ultra-Short Dated Bond Funds with a credit rating of at least 1.50
- Cash Plus Funds
- UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF))
- Royal Bournemouth and Christchurch Hospital NHS Foundation trusts
- Local authorities, Police and Fire Authorities, Parish Councils, BCP Council Companies (Subsidiaries) and Partnerships.
- Pooled Funds

## Maximum Time and Monetary Limits applying to Investments

- 6 The maximum amount that can be invested in any one institution at the time of the investment (including call accounts) as a percentage of the total investment portfolio has been reviewed and rationalised. All AA- and above rated institutions have a maximum limit of 25%, all A+, A or A- rated institutions have a maximum limit of 20%. For practical reasons where the average investment balance falls below £10m it may become necessary to increase the percentage limit to 33% at the time of investment (this only applies to call accounts and money market funds).
- 7 The maximum time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Long Term Rating	Money Limit	Time Limit
Banks 1 higher quality	AA-	25%	2 years
Banks 1 medium quality	A	20%	1 year
Banks 1 lower quality	A-	20%	6 months
Banks 2 category – part-nationalised RBS / Nat West	N/A	20%	2 years
Banks 3 category – Council's banker HSBC / Barclays / Lloyds	AA-	25%	3 months
UK Government (including gilts, Treasury Bills and the DMADF)	AAA	25%	6 months
Local Authorities	N/A	20%	5 years
Royal Bournemouth and Christchurch Hospital NHS Foundation Trusts	N/A	Fixed investment £14.9m	15 years
Money Market Funds CNAV	AAA	25%	Instant access
Money Market Funds LVNAV	AAA	25%	Instant access

Money Market Funds VNAV	AAA	25%	Instant access
Ultra-Short Dated Bond Funds	N/A	25%	Unlimited
Cash Plus Funds	AAA	25%	Unlimited
UK Gilts	UK Sovereign Rate	25%	5 years

#### Approved methodology for changing limits and adding/removing counterparties

- 8 Credit ratings for individual counterparties can change at any time. The S151 Officer is responsible for applying the stated credit rating criteria outlined above for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.
- 9 The S151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria outlined above.

#### **Liquidity Risk Management**

- 10 This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.
- 11 The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
- 12 The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

#### Cash flow and cash balances

- 13 The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling 12 month cash flow forecast.

The Treasury Management function shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.

In order to achieve the maximum return from investments, a daily cash balance of +/- £50,000 is the normal objective for the Council's bank account. Note - it may not always be possible or practical to achieve this target for various reasons, such as, late or fluctuating receipts after the treasury management activities for the day have been completed.

### Short term investments

- 14 Funds are held in overnight accounts, call accounts or money market funds specifically in order to deal with day to day cash flow fluctuations.

### Temporary borrowing

- 15 Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.

At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.

### Bank Overdraft and standby facilities

- 16 The Council has an authorised overdraft limit with its bankers of up to £100k at an agreed rate of 2.39% over base rate.

### **Interest Rate Risk Management**

- 17 The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.
- 18 The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting Requirements and Management Information Arrangements.
- 19 It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.
- 20 The Council's Policy will limit its exposure to interest rate changes by allowing a maximum of 4% of borrowing to be at variable interest and a maximum of 100% to be at fixed rate. In addition, a maximum of 50% of investments can be made at variable interest and a maximum of 100% to be at fixed rate.
- 21 Interest rates will be monitored by the Assistant Chief Financial Officer and information about possible changes in interest rates gathered from market sources.

### Policies concerning other instruments for interest rate management.

- 22 Forward dealing - Will only be undertaken where the date of commencement is 3 months (or less) for an investment from the date that funds will be transferred, in order to minimise risk due to uncertainties in the cash flow projections. The maximum length of time permissible for all investments will be 5 years.



## **Exchange Rate Risk Management**

- 23 The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

Approved criteria for managing changes in exchange rate levels

- i) As a result of the nature of the Council's business, it may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Council will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will eliminate all foreign exchange exposures as soon as they are identified.
- ii) Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

## **Refinancing Risk Management**

- 24 The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.
- 25 The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.
- 26 It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

### Projected capital investment requirements

- 27 3 year projections are in place for capital expenditure and its financing or funding. Financing will be from capital receipts, reserves, any grants or contributions awarded and revenue. Funding will be from internal or external borrowing, as decided.

As required by the Prudential Code, the Council will undertake Options Appraisals to evaluate the best capital expenditure financing route.

The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.

#### Debt profiling, policies and practices

- 28 Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Treasury Management Strategy.

The Council will maintain through its various treasury spreadsheets reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.

Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.

#### Policy concerning limits on revenue consequences of capital financings

- 29 The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.

#### **Legal and Regulatory Risk Management**

- 30 The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.
- 31 The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in treasury activities. In framing its credit and counterparty policy under TMP1 Treasury Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council, particularly with regard to duty of care and fees charged.
- 32 The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.
- 33 The Council operates its Treasury Management Practices in accordance with the provisions of the Local Government and Housing Act 1989 and the CIPFA Treasury Code of Practice. The Council's powers are documented in the Treasury Management Policy statement, the Treasury Management Practices and the Schedules.
- 34 Counterparties are included on the lending list where they fully comply with the Credit Rating requirements from Fitch, S&P and Moody's or where they meet the specified exceptional criteria.
- 35 The S151 Officer will review the Legal and Regulatory framework in order to assess the impact of any changes on the Council.

#### Procedures for evidencing the Council's powers/ authorities to counterparties

- 36 The Council's Financial Regulations contain evidence of the power/ authority to act as required by S151 of the Local Government Act 1972, under the general direction of the Council and Cabinet.

The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.

Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

#### Required information from counterparties concerning their powers/ authorities

- 37 Lending shall only be made to institutions on the Council's authorised lending list.

The Council will only undertake borrowing from approved sources such as the Public Works Loans Board (PWLB), organisations such as the European Investment Bank and from commercial banks who are on the Council's list of authorised institutions, thereby minimising legal and regulatory risk. The list of approved sources of borrowing is contained in TMP 4.

### **Political Risk Management**

- 38 Political risk is managed by:

- i) Adoption of the CIPFA Treasury Management Code of Practice;
- ii) Adherence to Corporate Governance (TMP 12 – Corporate Governance);
- iii) Adherence to the Statement of Professional Practice by the S151 Officer;
- iv) The roles of the Council and Cabinet.

#### Details of relevant Statutes and regulations

- 39 The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are as follows:

- i) CIPFA's Treasury Management Code of Practice and guidance notes;
- ii) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;
- iii) CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments;
- iv) CIPFA Standard of Professional Practice on Treasury Management
- v) The Local Government Act 2003;
- vi) The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments;
- vii) Pensions, England and Wales - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – SI 2009 No 3093;
- viii) MHCLG Guidance on Minimum Revenue Provision (MRP);

- ix) MHCLG Revised Guidance on Investments Feb 2017
- x) The MHCLG's Guidance on Local Government Investments in England issued March 2004 and subsequent amendments ;
- xi) The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883;
- xii) LAAP Bulletins;
- xiii) Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards);
- xiv) Accounts and Audit Regulations 2003, as amended together with CLG's Guidance;
- xv) The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets;
- xvi) Council's Constitution including:
  - Standing Orders relating to Contracts;
  - Financial Regulations;
  - Scheme of Delegation.
- xvii) CLG's Self-Financing Policy Documentation and subsequent amendments.

### **Fraud, Error and Corruption, and Contingency Management**

- 40 The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.
- 41 The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
- 42 In order to mitigate these risks, it is a system requirement that two officers need to be involved in order to facilitate a CHAPS payment via internet banking. The first officer will set up the payment details and the second officer will verify the details and authorise payment. Payment is only to be made on appropriately authorised documentation.
- 43 For payments to investment counterparties and other regular payments (e.g. Inland Revenue, Pensions) the payee name and bank details will be set up as named beneficiaries within the system.
- 44 In all instances of fraud there should be referral to the Council Anti-Fraud and Corruption Policy.

Details of systems and procedures to be followed, including internet services

- 45 The S151 Officer will ensure that all Treasury Management Procedures are fully documented and approved and that they contain adequate levels of internal control. All computer systems or electronic forms of recording or transmitting data will have adequate security and back up provisions.
- 46 The S151 Officer will ensure that the Treasury Management function is subject to regular internal audit, the intention being that this will generally take place once each year with sufficient programmed days to cover all aspects of its activity.

#### Emergency and contingency planning arrangements

- 47 In the event of treasury management software being unavailable, due to power failure or problems with the system, arrangements for the day-to-day treasury function will be undertaken direct with the Council's bank.

#### Insurance cover details

- 48 The Treasury Management function is covered under the Council's Fidelity Guarantee Policy.

#### **Market risk management**

- 49 The Council will seek to ensure that its stated Treasury Management Policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (GILTS, CDS, etc.)

If the Council makes use of fund managers they may deal in GILTS, Certificates of deposit etc. on behalf of the Council. The limit for these will be the value of the fund, held by the external body at the time. The fund will be able to be liquidated within 7 days.

#### **TMP2 Best Value and Performance Measurement**

- 50 The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Strategy Statement.
- 51 Accordingly, the Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in this section.

#### **Methodology to be applied for evaluating the impact of Treasury Management decisions**

- 52 All treasury management decisions will be recorded by the Treasury Accountant. A monthly report will be produced and any significant decisions notified to the S151 Officer on the monthly report. Rates quoted for investments and borrowing

will be recorded and monitored against benchmarks, any benchmarking reports will consider risk as well as the rate of return. Market trends will be compared to expectations. Investments or borrowing which takes place with a maturity of over one month, evidence should be kept to demonstrate that the most favourable interest rate has been achieved.

## **Policy concerning methods for Testing Value for Money in Treasury Management**

### Frequency and processes for review

- 53 The Treasury Management function will be included within the Core Service Transformation review of Strategic Finance.

### Banking services

- 54 Banking services will be retendered or renegotiated periodically in line with accepted procurement practice to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

### Money-broking services

- 55 The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. The Council will also deal direct with counterparties that appear on the lending lists where it can be shown that the rates achievable by dealing direct are higher than those that could have been achieved by dealing through money-brokers.

An approved list of brokers will be established which takes account of both prices and quality of services. Note that fees are only due when the authority chooses to borrow using money brokers.

### Consultants'/advisers' services

- 56 The Council may appoint professional treasury management advisers as and when it is deemed necessary to do so. The performance of these advisors will be monitored on an ongoing basis and be the subject of a tendering process.

Where treasury management advisers are appointed they will be expected to:

- i) Provide creditworthiness advice and updates on credit developments;
- ii) Provide rating watch information and highlight any impact on the Council's lending list;
- iii) Review all treasury management reports and check compliance with the Treasury Management Code of Practice, the Prudential Code and Best Practice;
- iv) Provide suitable economic information including interest rate forecasts;
- v) Offer suitable training and seminars to support for Members and officers;
- vi) Provide technical advice help and support as required.

### External Fund Managers

- 57 The Council may appoint full-time cash/external investment fund managers and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The fund Manager will undertake all activity in accordance with the provisions set out in this document.

The delegation of investment management to external managers will entail the following:

- i) Agreement of a formal contractual agreement and documentation;
- ii) Agreement on terms for early termination of the contract;
- iii) Setting of a benchmark of [7 day LIBID] and a performance target of exceeding the benchmark;
- iv) Setting of investment counterparty constraints;
- v) Quarterly reporting of performance;
- vi) At least annual meetings with investment managers;
- vii) Setting of other constraints/parameters/conditions.

The Council's treasury management advisors will assist in monitoring the performance of the fund managers.

#### **Methods to be employed for measuring the performance of the Council's Treasury Management activities**

- 58 Performance will be measured against the benchmark figures agreed. Performance will also be monitored by comparing expected levels of interest to the interest budgets set in the Budget setting process.

#### Benchmarks and calculation methodology:

a Debt management

Average rate on all external debt  
Average rate on external debt borrowed in previous financial year  
Average rate on internal borrowing  
Average period to maturity of external debt  
Average period to maturity of new loans in previous year

b Investment

The performance of investment earnings will be measured against the following benchmarks:

- i) In house investments - 7 Day LIBID
- ii) Cash fund manager - 7 Day LIBID

It is recognised that these benchmarks must be assessed in the overall context of security and liquidity being more important than yield.

## **TMP3 Decision-Making and Analysis**

- 59 The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.
- 60 Whilst the Council will take advice from external consultants as and when required it is recognised that the final decision for all treasury management activity lies with the Council.

### **Funding, Borrowing, Lending, and new instruments / techniques**

#### Records to be kept

- 61 Details of all rates achieved on new investments and borrowing will be kept by the S151 Officer, along with rates requested from other sources that were rejected. This is to show that the S151 Officer consulted different areas of the market place to support the decision made. All documentation to support investment / borrowing decisions will be available for inspection by internal audit.

#### Processes to be pursued

- 62 When investment decisions are to be made for one month or more, the Treasury Accountant with responsibility for treasury management will seek rates from at least two brokers or counterparties that deal direct, and a comparison will be made with indicative rates quoted by brokers on the day. These rates, together with the reason for the chosen rate (not always the highest rate quoted), will be recorded on the deal ticket or electronically and will be made available for inspection. Since the start of the credit crisis and the nominal rates achieved on investments the Treasury Management function have concentrated their efforts firmly on capital protection and risk management. In practice the Council has a very restricted lending list and there is often little or no choice where to place investments.

Borrowing decisions will be made by the S151 Officer in the light of the Council's medium term budgetary requirement. The interest rate type, period of the loan and reason for the need to borrow will be recorded by the Group Accountant with responsibility for treasury management.

#### Issues to be addressed

- 63 In respect of every decision made the Council will:
- a Above all be clear about the nature and extent of the risks to which the Council may become exposed;
  - b Be certain about the legality of the decision reached and the nature of the transaction, and that all approvals to proceed have been obtained;
  - c Be content that the documentation is adequate both to deliver the Council's objectives and protect its interests, and to deliver good housekeeping;
  - d Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;



- e Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.
- 64 In respect of borrowing and other funding decisions, the Council will:
- a Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
  - b Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
  - c Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.
- 65 In respect of investment decisions, the Council will:
- a Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
  - b Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

### **TMP4 Approved Instruments, Methods and Techniques**

- 66 The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed below and within the limits and parameters defined in TMP1 Risk Management.
- 67 Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its Treasury Management Strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

### **Approved activities of the Treasury Management function**

- a Borrowing
- b Lending
- c Debt repayment and rescheduling
- d Consideration, approval and use of new financial instruments and treasury management techniques
- e Managing the underlying risk associated with the Council's capital financing and surplus funds activities
- f Managing cash flow
- g Banking activities
- h Leasing
- i The use of external fund managers

### **Approved instruments for investment**

- 68 In accordance with The Local Authorities (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local authorities are:

- a UK Government (including gilts, Treasury Bills and Debt Management Account Deposit Facility)
- b Deposits with banks, building societies or local authorities (and certain other bodies) for up to five years;
- c Certificates of deposits with banks or building societies for up to five years;
- d Corporate bonds and bonds issued by Multilateral Development Banks;
- e Euro-sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges;
- f Money Market Funds;
- g Pooled funds, i.e. collective investment schemes as defined in SI 2004 No 534.

### **Approved techniques**

- a Forward dealing up to five years
- b Callable deposits up to five years

### **Approved methods and sources of raising Capital Finance**

- 69 Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance.
- 70 These forms of funding will be considered based on the prevailing economic climate, regulations and local considerations. The S151 Officer has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from the approved sources.

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Community municipal bonds	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●

Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

## **TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

- 71 The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
- 72 The principles on which this will be based is a clear distinction between those charged with setting Treasury Management Policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the Treasury Management function.
- 73 If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.
- 74 The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule in this section.
- 75 The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in this section.
- 76 The delegations to the S151 Officer in respect of treasury management are set out in this section. The S151 Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## **77 Limits to responsibilities/discretion at Committee/Executive levels**

### Full Council

- receiving and reviewing the annual Treasury Management Strategy Statement and a report on Treasury Management Policy, Practices and Schedules;
- budget consideration and approval;
- receiving a summary annual report on performance during the previous financial year.

### Cabinet

- receiving and reviewing the annual Treasury Management Strategy Statement and a report on Treasury Management Policy, Practices and Schedules;
- budget consideration and approval;
- receiving a summary annual report on performance during the previous financial year;
- approval of investments where minimum lending criteria are not met.

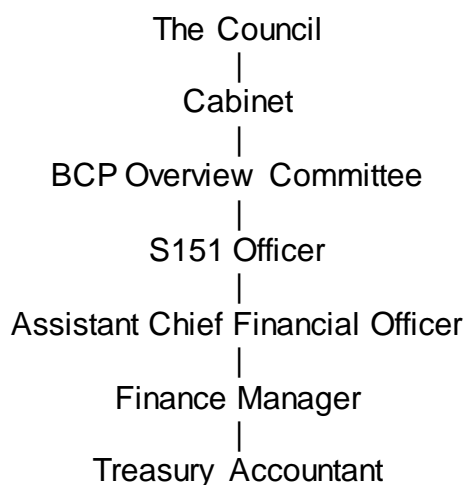
### BCP Committee

- approval of amendments to the Council's adopted clauses, Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules;
- performance monitoring;
- receiving and reviewing external audit reports and acting on recommendations;
- approving the selection of external fund managers and agreeing terms of appointment;
- receiving a detailed annual report;
- scrutinise the Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules;
- receive reports of any non-compliance with the Council Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules.

## **78 Principles and practices concerning segregation of duties**

The S151 Officer will ensure that there is proper segregation of duties in place for Treasury Management.

## 79 Treasury Management organisation chart



## 80 Statement of Duties/Responsibilities of each Treasury Post

### a S151 Officer

#### i) The S151 Officer will:

- execute and administer treasury management decisions in accordance with the Treasury Management Strategy and the Treasury Management Policies, Practices and Schedules;
- recommend all arrangements for the identification, management and control of all treasury management risk and report on such;
- design, recommend and implement the annual Treasury Management Strategy and Treasury Management Policies, Practices and Schedules for approval, reviewing and monitoring compliance;
- adhere and monitor performance against the approved prudential indicators;
- construct the Council's lending list and formulating suitable criteria for assessing and monitoring the credit risk of investment counterparties;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- ensure that all Treasury Management Policies, Practices and Schedules are fully documented and approved, and contain adequate levels of internal control;
- receive and review management information reports;
- review the performance of the Treasury Management function and promote value for money reviews;

- ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the Treasury Management function;
  - ensure all Members and treasury management staff receive training to ensure all responsibilities are carried out appropriately;
  - recommend investments where the minimum lending criteria are not met;
  - ensure the adequacy of internal audit, and liaising with external audit;
  - ensure that the most appropriate form of borrowing is taken from the approved sources;
  - review the legal and regulatory framework in order to assess the impact of any changes on the Council;
  - monitor the Governance arrangements of the treasury management function;
  - recommend the appointment of external service providers.
- ii) The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.
- iii) Only officers approved by the S151 Officer or the Assistant Chief Finance Officer will conduct dealing transactions.
- iv) The S151 Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected Members as soon as possible.
- v) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's financial Regulations.
- vi) It is also the responsibility of the S151 Officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- b Assistant Chief Financial Officer / Finance Manager
- i) The responsibilities of these posts will be:
- planning, organising, directing and monitoring the Treasury Management function;
  - ensuring compliance with the policy, practices and schedules;
  - regularly reporting to the S151 Officer regarding performance of the function;
  - ensuring the treasury management function is adequately covered during normal business hours;
  - monitoring market conditions and interest rates and advising the S151 Officer regarding its impact on the Council's strategy.
- c Finance Manager / Treasury Accountant

- i) The responsibilities of this post will be:
    - execution of transactions;
    - adherence to agreed policies and practices on a day-to-day basis;
    - maintaining relationships with third parties and external service providers;
    - supervising treasury management staff;
    - monitoring performance on a day-to-day basis;
    - submitting management information reports to the Assistant Chief Finance Officer;
    - preparation of cash flow statements;
    - recording all treasury management decisions;
    - maintain the counterparty list in line with the approvals made;
    - identifying and recommending opportunities for improved practices.
- d Treasury Accountant
  - carry out day to day banking activities ensuring the treasury function meets its objectives
  - recording all treasury management decisions;
  - maintain the counterparty list in line with the approvals made;
  - preparation of cash flow statements;
- e Head of the Paid Service
  - i) The responsibilities of this post will be:
    - ensuring that the system is specified and implemented;
    - ensuring that the S151 Officer reports regularly to the Council, Cabinet and BCP Committee on treasury management policy, activity and performance as appropriate.
- f Monitoring Officer
  - i) The responsibilities of this post will be:
    - ensuring compliance by the S151 Officer with the Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules and that they comply with the law;
    - being satisfied that any proposal to vary treasury management policy or practice complies with law or any code of practice;
    - giving advice to the S151 Officer when advice is sought.
- g Internal Audit
  - i) The responsibilities of Internal Audit will be:
    - reviewing compliance with approved policy and procedures;
    - reviewing division of duties and operational practice;
    - assessing value for money from treasury management activities;

- undertaking audits to provide assurance over the probity of the Treasury Management function.

### **Absence cover arrangements**

- 81 The Finance Manager with responsibility for the treasury function will ensure that the Treasury Management function is adequately covered during normal business hours.

### **Dealing limits**

- 82 The Finance Manager with responsibility for treasury management is permitted to place deals in accordance with the Counterparty Lists and Limits and approved Treasury Management Practices.

### **List of approved brokers**

- Tradition Brokers
  - Sterling International Brokers division of BGC Brokers LP
  - Martin Brokers division of BGC Brokers LP
  - Tullett Prebon (Europe) Limited
  - Imperial Treasury
- 83 Treasury management staff are also authorised to deal direct with any of the counterparties on the approved lending list, where it can be shown that better rates of interest can be achieved than would otherwise be available through Brokers.

### **Policy on Brokers' services**

- 84 The Authority aims to achieve a spread of brokers, together with the use of direct dealing counterparties in order to secure suitable deals.

### **Policy on taping of conversations**

- 85 The Authority does not currently tape telephone calls made to brokers. It is understood that the broker firms used do tape all telephone conversations and deals are always confirmed by fax by the broker and the body receiving or paying over the money, these documents will be retained.

### **Direct dealing practices**

- 86 The Authority aims to achieve a spread of counterparties in order to secure suitable deals.

### **Settlement Transmission Procedures**

- 87 On maturity of an investment or loan the broker / counterparty involved will always be contacted by the treasury management staff to confirm what the Authority's intentions are with regard to the maturity and whether it is to be repaid.

### **Documentation requirements**

- 88 Copies of all correspondence with brokers will be kept and made available for inspection.



## **Arrangements Concerning the Management of Third-Party Funds**

- 89 The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

## **TMP6 Reporting Requirements and Management Information Arrangements**

- 90 The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management Policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the Treasury Management function.

### **Annual Programme of reporting**

- 91 As a minimum, the Council will receive:
- a An annual report on the strategy and plan to be pursued in the coming year;
  - b A summary annual report on the performance of the Treasury Management function.
- 92 It is recognised that BCP Committee are responsible for ensuring effective scrutiny of the Treasury Management Strategy Statement and activities and as such they will receive:
- a A copy of the annual report on the strategy and plan to be pursued in the coming year together with the treasury management prudential indicators;
  - b A full annual report on the performance of the Treasury Management function, on the effects of the decisions taken and the transactions executed in the year to date, and on any circumstances of non-compliance with the Council's Treasury Management Strategy Statement and TMPs.
  - c Quarterly Monitoring Reports

### **Annual Treasury Management Strategy Statement**

- 93 The Treasury Management Strategy Statement sets out the specific expected treasury management activities for the forthcoming financial year. This Strategy will be submitted to Cabinet and Full Council for approval before the commencement of each financial year.
- 94 The formulation of the Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
- 95 The Treasury Management Strategy Statement is concerned with the following elements:

- a The prospects for interest rates;
- b The limits placed by the Council on treasury activities;
- c The expected borrowing strategy;
- d The expected temporary investment strategy (including the appointment of fund managers);
- e Other issues.

### **Policy on Interest Rate Exposure**

- 96 As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the following treasury management limits:
- a The overall borrowing limit;
  - b The amount of the overall borrowing limit which may be outstanding by way of short-term borrowing;
  - c The maximum proportion of interest on borrowing which is subject to variable rate interest.
- 97 The S151 Officer is responsible for incorporating these limits into the Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the S151 Officer shall submit the changes for approval to Cabinet before submission to the Full Council for approval.

### **Annual Report on Treasury Management activity**

- 98 A summary annual report will be presented to Cabinet and Full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. A full annual report will be presented to BCP Committee. This report will include the following:
- a A comprehensive picture for the financial year of all Treasury Management Policy, Practices and Schedules, plans, activities and results;
  - b Transactions executed and their revenue (current) effects;
  - c Report on risk implications of decisions taken and transactions executed;
  - d Monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
  - e Monitoring of compliance with powers delegated to officers;
  - f Degree of compliance with the original strategy and explanation of deviations;
  - g Explanation of future impact of decisions taken by the Council;
  - h Measurements of performance;
  - i Report on compliance with CIPFA Code recommendations.

### **Management Information Reports**

- 99 Management information reports will be prepared every month by the Treasury Accountant and will be presented to the following officers:

- a Finance Manager;
- b Assistant Chief Financial Officer;
- c S151 Officer;

100 These reports will contain the following information:

- a Summary of the Authority's financial position for the current year;
- b Details of all current investments / loans;
- c Details of the Interest Budget and Interest Projections;
- d All notes relevant to the Treasury Management function, including where applicable the reasons behind and the impact of any decisions made.

### **Periodic Monitoring Committee Reports**

101 Interim reports will be prepared where significant matters arise that need to be reported to a BCP Committee.

### **TMP7 Budgeting, Accounting and Audit Arrangements**

- 102 The responsible officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the Treasury Management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk Management, TMP2 Best Value and Performance Measurement, and TMP4 Approved Instruments, Methods and Techniques. The S151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting Requirements and Management Information Arrangements.
- 103 The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
- 104 The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the Treasury Management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

### **Statutory/Regulatory Requirements**

- 105 The treasury management budget and interest budget will be set as part of the Council's main budget setting process as required by the Council. Treasury Management is subject to an annual audit by Internal Auditors and is also audited by External Audit as part of the main financial audit.

### **TMP8 Cash and Cash Flow Management**

- 106 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the S151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance as

per paragraphs 11-13 Liquidity Risk Management. The present arrangements for preparing cash flow projections, and their form, are set out below.

### **Arrangements for preparing/submitting Cash Flow Statements**

107 The Finance Manager with responsibility for treasury management will prepare a rolling cash flow forecast which will cover at least 12 months, based on information gathered from within the Council. This cash flow forecast will be continually updated as new information is received. The cash flow forecast will contain information for every day of the year for all bank accounts.

### **Listing of sources of information**

108 Information will be provided to the Treasury Management function by other members of Financial Services and the Council in general.

### **Bank Statements procedures**

109 Bank statements are received daily and retained. Summary bank statements are also available in electronic format through the use of treasury management software.

## **TMP9 Money Laundering**

### **Proceeds of Crime Act 2002**

- 110 The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:
- a Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland;
  - b Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property;
  - c Acquiring, using or possessing criminal property.
- 111 Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.
- 112 Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

### **The Terrorism Act 2000**

- 113 This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds

for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

- 114 CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.
- 115 Principle: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

### **Procedures for establishing identity / authenticity of lenders**

- 116 The Council does not accept loans from individuals. All loans are obtained from the PWLB, Local Authorities or Other Public Bodies or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk)).

### **Methodology for identifying sources of deposit**

- 117 These will be arranged through authorised money brokers or by direct dealing.

## **TMP10 Staff Training and Qualifications**

### **Details of approved training**

- 118 The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.
- 119 The S151 Officer will ensure that Council Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.
- 120 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 121 The treasury management staff have attended training courses provided both by the Council's advisors and other organisations. The Finance Manager with responsibility for treasury management will ensure that a proactive approach is taken to continually keeping abreast of changes within the treasury management field.

### **Approved Qualifications for Treasury Staff**

- S151 Officer ACCA / CPFA
- Assistant Chief Financial Officer CPFA
- Finance Manager - Technical CPFA / ACCA / CIMA

– Treasury Accountant AAT

- 122 The S151 Officer can determine that an approved qualification is not required if the member of staff has appropriate expertise and knowledge to carry out the responsibilities outlined in the Treasury Management Policy, Practices and Schedules.

### **Statement of Professional Practice (SOPP)**

- 123 Where the S151 Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities that are CCAB members must also comply with the SOPP.

### **Member training**

- 124 Council Members tasked with treasury management responsibilities should be trained in the areas of their responsibility.

Those charged with governance must recognise their individual responsibility and ensure that they have the necessary skills to complete their role effectively.

### **TMP11 Use of External Service Providers**

- 125 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also 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. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Service Director, Strategic Finance.

- 126 The terms of appointment of all consultants are assessed and properly agreed and documented.

### **Details of Contracts with Service Providers, including Bankers, Brokers, Consultants, Advisers**

- a Banking services
- b Name of main supplier of service – HSBC / Lloyds / Barclays
- c Contract commenced 1 April 2019
- d Money-broking services - No contract exists
- e Cash/fund management services – No contract exists
- f Consultants'/advisers' services

- g Name of supplier of service – currently under tender
- h Software suppliers – No contract exists
- i Credit rating agencies
- j The Council will make use of any information supplied by Moody's, Standard and Poor's and Fitch
- k Procedures and frequency for tendering services
- l This will be in accordance with the Council's Standing Orders.

## **TMP12 Corporate Governance**

- 127 The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the Treasury Management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 128 The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice as updated. This, together with the other arrangements detailed below, are considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

### **Stewardship responsibilities**

- 129 The S151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the Treasury Management function.

### **List of documents to be made available for public inspection**

- 130 The following documents are freely available for public inspection:
- Annual Statement of Accounts;
  - Budget Book;
  - Medium Term Financial Plan (including Capital);
  - Treasury Management Policy, Practices and Schedules;
  - Treasury Management Strategy;
  - Budget monitoring reports;
  - Annual Treasury Report;

This page is intentionally left blank



### Appendix 3 - Itemised borrowing decisions for BCP Council

	New In-Year Borrowing 2021/22 £'000	New In-Year Borrowing 2022/23 £'000	New In-Year Borrowing 2023/24 £'000	New In-Year Borrowing 2024/25 £'000	New In-Year Borrowing 2025/26 £'000	New In-Year Borrowing 2026/27 £'000	MTFP Total 2021 to 2027 £'000
Carter School (Supported Borrowing)	260						260
Various Schools (Supported Borrowing from Carter repurpos	900	400					1,300
Hillbourne School (Supported Borrowing)	882						882
Carter highways works (TCF TAB)		40					40
Hillbourne School land transfer	3,750	830	70	0			4,650
<b>Total Children's Services</b>	<b>5,792</b>	<b>1,270</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,132</b>
Malvern Day Centre Refurbishment	30						30
Figbury Lodge Construction	14						14
Figbury Lodge Care Workstream - including FFE/ICT	17						17
<b>Total Adult Social Care</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61</b>
Rossmore artificial pitch		617					617
Two Rivers Meet artificial pitch		110					110
Canford cliffs stabilisation (cap prog refinancing)	713						713
Canford Cliffs Pavilion		1,100					1,100
Festival Coast Live	422						422
New Beach Huts - Canford Cliffs (cap prog refinancing)		135					135
New Beach Huts - Canford Cliffs (original)		2,983					2,983
Manor Steps Overnight Huts (9 Beach Lodges)	3						3
Fisherman's Walk	14						14
Mudeford Beach House Café	21	634					655
Bistro Redevelopment	1,298	5,463					6,761
Prom Café expansion & Green Living Wall Trail		35					35
<b>Total Destination &amp; Culture</b>	<b>2,472</b>	<b>11,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,549</b>
Fleet Replacement	10,020	12,000	4,900	0	0		26,920
Cleaner Greener Safer Equipment	474	200					674
Kings Park Athletic Centre	126						126
Muscliff Natural Burial Ground	0	110					110
Poole Park Miniature Railway	193	164					357
<b>Total Environment (inc Parks and Open Spaces)</b>	<b>10,813</b>	<b>12,474</b>	<b>4,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,187</b>
Street Lighting Investment project		540					540
Christchurch Leisure Centre Car Parks	4						4
Saxon Square Car Park - Electrical Repairs	9						9
Priory Car Park refurbishment, resurface and drainage	34						34
<b>Total Highways Infrastructure</b>	<b>47</b>	<b>540</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>587</b>
St Stephens	1,128						1,128
Temporary Accommodation Portfolio	2,380	6,645					9,025
CNHAS - Residential street properties		1,803	12,235	10,650	10,555		35,243
CNHAS - Care Experience Young People (CEYP)	400						400
CNHAS - Private Rented Sector (PRS)	1,500						1,500
CNHAS Alma Road (former GP surgery)	190	380	1,520	1,710			3,800
CMHAS Oakdale	220	440	1,530	2,180			4,370
Milton House (approved as part of Temp Acc portfolio)	128						128
Ersbury Park Library (approved as part of Temp Acc portfolio)	150						150
Princess Road - Private Rented Sector		-72					-72
Redevelopment of Princess Road/Prince of Wales Site	-1,600	11,465	2,205				12,070
Princess Road - Private Rented Sector Land Transfer	1,178	144					1,322
<b>Total Major Projects - Housing</b>	<b>5,674</b>	<b>20,805</b>	<b>17,490</b>	<b>14,540</b>	<b>10,555</b>	<b>-</b>	<b>69,064</b>
Parkway House	25	315					340
BIC Medium Term Refurbishment Plan	300	1,480					1,780
Skills & Learning Relocation to Dolphin Centre	345	620					965
Carter's Quay	9,700	12,000	19,000	4,868			45,568
Winter Gardens (private rented sector and car park)	40		44,459				44,499
Holes Bay Development	662	100					762
Homelessness Hub		686					686
Wessex Fields Highways Infrastructure		1,600					1,600
<b>Total Regeneration (inc Major Projects)</b>	<b>11,072</b>	<b>16,801</b>	<b>63,459</b>	<b>4,868</b>	<b>-</b>	<b>-</b>	<b>96,199</b>
Poole Bay Beach Management Plan					2,282	1,758	4,040
Creekmoor & Sterte Flood Defence Works	30						30
East Cliff Management	11						11
<b>Total Coastal Protection</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,282</b>	<b>1,758</b>	<b>4,081</b>
Bournemouth Pier Building Renovation (other)	314						314
Russell Cotes	69						69
Town Hall Building (trend upgrade, burners and humidifier and	6						6
<b>Total Estates</b>	<b>389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389</b>
Bournemouth Crematorium	28	131					159
Poole Crematorium	20	380					400
ICT Investment Plan 2021/22 and 2023	757	118					875
Estates Office Accommodation (capital)	4,038	2,974					7,012
Organisation Design (capital)	637	2,500					3,137
Transformation Programme	1,265						1,265
<b>Total Resources</b>	<b>6,745</b>	<b>6,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,848</b>
Christchurch coast protection	266						266
Partnership funding for future coastal protection	2	115					117
<b>Total April 2021 refinancing</b>	<b>268</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383</b>
<b>Total HRA (Bournemouth and Poole Combined)</b>	<b>-</b>	<b>25,791</b>	<b>26,717</b>	<b>3,195</b>	<b>-</b>	<b>-</b>	<b>55,703</b>
<b>Total In-Year New Prudential Borrowing</b>	<b>43,375</b>	<b>94,976</b>	<b>112,635</b>	<b>22,603</b>	<b>12,837</b>	<b>1,758</b>	<b>288,184</b>

This page is intentionally left blank

## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Risk Management – Corporate Risk Register Update</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none"> <li>Two new risks have been added to the council's Corporate Risk Register during the quarter: CR18 - Failure in customer interface CR19 – Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)</li> <li>Corporate Risk CR17 - Risk to Reputation of Place &amp; Council if summer arrangements are not managed – has been removed from the Corporate Risk Register</li> <li>Details of those risks where a review was not possible during the quarter are included.</li> </ul>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Members of the Audit and Governance Committee note the update provided in this report relating to corporate risks.</b></p>
Reason for recommendations	To provide assurance that corporate risks are being managed effectively and continue the development of the council's arrangements for Risk Management and enhance its governance framework.

Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant – Chief Executive
Report Authors	Fiona Manton Risk & Insurance Manager ☎01202 127055 <a href="mailto:fiona.manton@bcpcouncil.gov.uk">fiona.manton@bcpcouncil.gov.uk</a>
Wards	Council-wide
Classification	For Update and Information

## Background

1. Risk can be broadly defined as the possibility that an action, issue or activity (including inaction) will lead to a loss or an undesirable outcome. It follows that Risk Management is about the identification, assessment and prioritisation of risks followed by co-ordinated control of the probability and impact of that risk.
2. In accordance with the Financial Regulations and the Risk Management Strategy, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. In practice, this means that the committee members must assure themselves that the council's Risk Management framework is appropriate and operating effectively. The council's Corporate Risk Register is an important element of this framework and is reviewed and updated on a quarterly basis.
3. In line with the decision-making framework in place for BCP Council it was agreed that, effective from day one, BCP Council would, as an interim measure, adopt the legacy Bournemouth Risk Management framework. The scoring matrix in this framework was adjusted to reflect the increased remit of the new authority. A revised Risk Management framework for BCP Council is being developed currently.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board continues to monitor risks and ensure appropriate and proportionate mitigating actions continue and evolve as risks change.

## Corporate Risk Review

5. Members will recall from the previous updates that the Corporate Risk Register was established at the commencement of BCP Council. It has been routinely reviewed on a quarterly basis. Incorporated in each of the risks are the continuing impacts of the pandemic.
6. During the last quarter this register has been reviewed and the evidence of this review is included in the risk summary at Appendix 1.
7. Members will be aware that each risk is given a unique identifying number so where risks have been removed from the register the numbers will no longer run sequentially.

### **Changes in Risk During Quarter 3 – 2021/2022**

8. During the quarter, some of the risks on the risk register have been reviewed and in addition to the routine updates to each risk, the material updates to the register are as follows:  
  
CR14 - Continuity of Public Health arrangements and evolution of outbreak management plan – The update provided in relation to this risk is at a point in time. Members will be aware that this is a risk which is subject to continuous change.  
  
CR17 - Risk to Reputation of Place & Council if summer arrangements are not managed – This risk has been de-escalated to be managed at a service level with re-consideration on the need for it to be re-considered at a Corporate level in the Spring of 2022.
9. Aspects of risks CR1 - Failure to respond to the needs arising from a changing demography, CR2 - Failure to deliver effective safeguarding arrangements for children & adults and CR12 - Failure to achieve appropriate outcomes and quality of service for young people relating to Children's Services, were due to be reviewed but this was not possible before the production of this report due to the Ofsted inspection of Children's Services that was taking place.
10. As part of the next scheduled review of the register risk CR1 - Failure to respond to the needs arising from a changing demography and CR2 - Failure to deliver effective safeguarding arrangements for children & adults will be reviewed in terms of their content to reduce the length of the description and to focus on the changes to the risk and the quarterly updates.
11. In addition to the above changes, following the discussions at the October meeting a further two additional risks have been added to the risk register. These risks are:  
  
CR18 - Failure in customer interface – this is a new risk. The net risk score is showing as 'To be Determined'. This will remain as such until the analysis is complete and actions/interventions agreed.  
  
CR19 – Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT) - this is a new risk which is in the process of being fully analysed for the purposes of its inclusion on the Corporate Risk Register. A more complete update will be provided in the next report to the committee.
12. Whilst it may be noted that many of the risk scores have not changed, this is not reflective of management action or inaction. Risks will continue to be influenced by a number of factors including national impacts and operational environment changes.
13. Full details of the updates for this quarter can be found in Appendix 1.

### **Service Development**

14. In addition to the reviews of Corporate Risks, the Risk Management Team continues to be engaged in the refresh of service risk registers. This includes engaging with services to understand their current risk arrangements, how these can be improved to deliver a proactive and dynamic risk management environment and how the Risk Management Team can support them in this to deliver a consistent and embedded approach to Risk Management throughout the council. This work is progressing well.
15. Work continues on finalising the draft of a new Risk Management framework for BCP Council. Consideration will be given to the council's risk appetite and the processes

for managing risk consistently across the council. This will also include the mechanisms for risk reporting and risk escalation.

16. As part of the role of the team, continuous “horizon scanning” is undertaken to identify issues that may give rise to risk to the council. When matters are identified, these are raised with the relevant Corporate / Service Director for review and consideration of any necessary action.

#### **Summary of financial implications**

17. Financial implications relevant to risks are detailed within the relevant risk registers.

#### **Summary of legal implications**

18. There are no direct legal implications from this report.

#### **Summary of human resources implications**

19. There are no direct human resources implications from this report.

#### **Summary of sustainability impact**

20. There are no direct sustainability implications from this report.

#### **Summary of public health implications**

21. There are no direct Public Health implications from this report.

#### **Summary of equality implications**

22. There are no direct equality implications from this report.

#### **Summary of risk assessment**

23. The risk management implications are set out within the content of this report.

#### **Background papers**

Risk Management – Corporate Risk Register Update Report to the Audit and Governance Committee on 28 October 2021




#### **Appendices**

Appendix 1 – Corporate Risk Register Update Q3 – 2021/2022

BCP Council  
AUDIT AND GOVERNANCE COMMITTEE  
January 2022

CORPORATE RISK REGISTER UPDATE Q3 - 2021/22




- 1.     **UPDATES / CHANGES TO THE CORPORATE RISK REGISTER**
  - 1.1    The Corporate Risk Register (CRR) is updated quarterly. Numbering does not run sequentially as some risks have been removed as reported previously.
  - 1.2    Mitigation actions and significant changes this quarter are detailed below.
  - 1.3    Further actions and a target risk score is now included for each risk.




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR1	<b>Failure to respond to the needs arising from a changing demography</b>		<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p><b>Adults Social Care</b></p> <p>Over recent years, the need for Adult Social Care (ASC) has been increasing due to a rising older population and due to a growing population of children, young people and adults of working age who have highly complex disabilities and mental health needs. There is also a national and local policy direction of ensuring that people with complex needs do not receive long-term care in a hospital setting but are enabled to live in their local community with appropriate care, treatment and accommodation. ASC has been both funding a higher volume of care packages and placements and an increasing number of very expensive packages of care for people with highly complex needs. Costs for residential care for older people have been rising at a rate of approximately 5% per year due to both national issues such as the rise in the National Living Wage and local market conditions. Nationally, there is a reform planned for April 2022 which will introduce a cap on care costs for service users, but not yet a sustainable funding plan other than an expectation that councils will meet demand through local spending power, which contributes to the risks for BCP Council and all local authorities.</p> <p>During the pandemic, Adult Social Care has had to respond to the unique demands for providing care packages in the community and care home placements in very short timescales and in relation to care home placements at much higher volume to enable rapid discharge of local people to care homes from hospital. There have been two extended periods where the pandemic incident management has required Adult Social Care to make a high number of high-cost residential placements: in March to June 2020 and from November 2020 to March 2021. The level of demand coupled with the percentage of care homes where there are suspensions on new admissions due to COVID outbreaks has very much stretched the capacity of the local care market. There is a legacy of financial cost to the Council into 2021/22 and potentially beyond, from the need to make so many high-cost placements. Although the pressure from COVID has reduced since March 2021, the associated hospital discharge guidance will continue until April 2022 in response to winter pressures and continues to place additional cost pressures on BCP Council.</p> <p>Pressures on the whole NHS system continues in 2021/22 with heightened emergency demands on hospitals.</p> <p>As the level of COVID infection in the community diminishes and with the roll out of the vaccination programme, ASC is working with service users and carers to understand the short and long- term impact of the pandemic on people's lives. It is anticipated that there will be a high level of demand for carer support services (such as residential respite care) which could not be provided when COVID infection rates have been high. Specific provision had been made within the Better Care Fund (which is a shared pooled budget between the Council and Dorset Commissioning Group) to fund additional carer support in 2021/22. It will take time to understand if there will be increased service requirements to meet the needs of people who may be experiencing ill-health due to having contracted COVID19. There remains some level of risk of a further rise in COVID19 cases in the winter of 2021/22 and beyond, and this combined with other Winter pressures, such as seasonal flu, could lead to significant pressures over the coming year on both the NHS and social care services.</p>		<ul style="list-style-type: none"> <li>Continue to work with Association of Directors of Adult Social Services and the Local Government Association on making the case to Government for a national funding approach to Adult Social care which is sustainable for the public, adult social care sector and Local Authorities.</li> <li>Continue the transformation programme around demand management for Adult Social Care to minimise budget pressures.</li> <li>Continue to work with the Local Government Association to use available national comparative analysis of expenditure on Adult Social Care across all Councils to support the identification and implementation of further costs savings within the Medium Term Financial Plan.</li> <li>Develop and implement with the Strategic Implementation Partner plans for Centres of Excellence for Commissioning and Procurement which will ensure the commissioning and contracting of Adult Social Care services of good quality and produce short and medium - term savings.</li> <li>Work with NHS partners and Dorset Council external expertise (iMpower) to support the development of a Home First programme which will deliver good quality community care treatment and enable timely and safe hospital discharge.</li> </ul>		March 2024






RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR1	<b>Failure to respond to the needs arising from a changing demography - Continued</b>		<p>The Adult Social Care Sector is continuing to implement infection control measures to prevent the spread of COVID19 and arrangements which support rapid testing and safe visiting and family contact for residents in care homes. The costs of these additional measures, which have been extended into 2022, have been funded by central government.</p> <p>Key Risk Mitigations</p> <ul style="list-style-type: none"> <li>The Council will agree key strategies which set out how it intends to work with the social care market to further develop quality and cost-effective care models and services which meet current and future population needs and maximise independence and choice for people who use care services. These strategies are: <ul style="list-style-type: none"> <li>A Market Position Statement for Adult Social Care</li> <li>Commissioning Strategies for Care Homes and Extra Care.</li> </ul> </li> <li>A detailed assessment is being made in terms of the continuing costs of the pandemic both in terms the additional costs of care which have been carried forward into 2021/22 and in-year cost pressures which may arise, including should Central Government discontinue specific grants to the Social Care sector for infection control and rapid testing after Quarter 1. The 2021/22 Adult Social Care budget contains a sum of £1.3 million for additional care costs carried forward from 2020/21 while actual costs carried forward will be reported in the 1st Quarter Cabinet Budget monitoring report for 2021/22. The Government has allocated the Council a COVID19 grant for 2021/22 which is un-ringfenced. It has been acknowledged in the Medium Term Financial Plan that the Adult Social Care Directorate may need to make a call on this budget for COVID related expenditure.</li> <li>Adult Social Care is working in partnership with NHS and Dorset Council colleagues to develop a Home First Programme which will support the continuation of a Discharge to Assess model of hospital discharge and will be aimed at preventing avoidable admissions to hospital and care homes. A key element of this work is development of a financial strategy beyond April 2022 when Government funding ends.</li> <li>Adult Social Care will be implementing a “strength-based” approach to all aspects of adult social care which focusses on enabling people to lead full and independent lives ensuring that people are supported to work from the basis of their own choices and strengths and those of their family, friends and in their community. This programme includes fully implementing the agreed model for the Adult Social Care Contact Centre which will offer early and proactive responses to the public and reduce requirements for long-term care. There will be a focus on developing a wider range of housing and supported housing options to reduce the use of residential placements and enabling more adults of working age to train, volunteer and be employed. Strategies for Day Opportunities and for using technology to enable care and independence will be developed and implemented and contribute to the overall strength-based programme. Through this programme, the Council will be assured that its financial and staffing resources are best used and managed.</li> </ul>		This external expertise will support partners to develop a sustainable financial strategy across the Councils and NHS for the Home First programme.		




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR1	<b>Failure to respond to the needs arising from a changing demography - Continued</b>		<p><b>Children's Services</b></p> <p>Risk Information:</p> <p>The pandemic has increased the severity of many domestic abuse and mental health incidents and patterns. The loss of social life has eroded the confidence of many children and young people and has increased isolation and loneliness. Many vulnerable children have been hidden out of sight when they need daily monitoring by a team of professionals actively engaging with them. The extended length of the pandemic is also likely to be increasing child poverty and widening the educational attainment gap between advantaged and disadvantaged children. The true social cost of the pandemic will not be clear for some time. The levels of exhaustion being felt and shown by front-line staff like social workers, teachers and health visitors is also becoming a higher risk with unknown consequences for workforces. This is exacerbated by remote working which makes team support at a secure base much harder to achieve.</p> <p>The only variation to this risk is the increasing likelihood that demands on children's services will increase more than predicted, especially in referrals for domestic abuse and mental health concerns, where a spike is expected over the coming months. An example of this is the number of younger children behaving in distressed and challenging ways in schools (Years 1-6 whereas the pattern before the pandemic was much more Years 5 and 6). The problems caused by the pandemic are, if anything, deeper than predicted, especially in the number of children who have become more disengaged with the mainstream having been out of it for so long.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> <li>Improved attendance at critical conferences and reviews through online meetings cutting out travel time</li> <li>Lower foster care breakdown rates with their carers at home more (data from across 7 countries)</li> <li>All children and families needing home visits have been visited after risk assessments have been carried out</li> <li>Recovery plans are in place and local government has a good track record of multi-agency working during recovery</li> <li>The Multi-Agency Safeguarding Hub continues to function well but the assessment service is under severe pressure as a result of the increase in referrals and special attention now needs to be given (again) to stabilise this service.</li> </ul> <p><b>Communities</b></p> <p>Risk Information:</p> <p>The Communities Directorate covers a range of responsive services where demand is often changeable. This has particularly been demonstrated by Covid19 with teams responding rapidly to changes in situation and legislation as required. The social distancing restrictions around meeting face to face with our communities have prevented us from engaging in the same way we normally would which has both its positives and negatives. There is a risk that our lower levels of engagement mean that we are unaware of some areas of community need or tensions and therefore not responding appropriately.</p> <p>Key Mitigations:</p> <ul style="list-style-type: none"> <li>Developed new engagement routes and mechanisms (Information Officer roles for businesses, Community Champions Network, Trusted Voices, TWC Partnership Steering group)</li> <li>Strengthened partnership working to identify and respond to need as required</li> <li>Grant funding from the Government for enhanced communication and networking</li> </ul>		<p>The relevant actions for this risk are set out in the Children's Services Action Plan. All of these 15 points are relevant to managing demand and adapting service delivery to post-pandemic referrals. Progress on delivery of the action is reported to a robustly functioning Improvement Board which has mandated senior leaders to take further actions as and when necessary to deliver improvements. The pace of change is fast already so cannot easily be quickened.</p> <p>As this is an intrinsic risk there is no target risk date. The target is to manage higher demand whilst improving service quality whilst staying within budget.</p> <p>The Directorate Communities Leadership Team review and respond to the risk as required. A Directorate level risk register is maintained and updated regularly.</p>		



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR2A	<b>Failure to deliver effective safeguarding arrangements for children &amp; adults ADULTS</b>		<p>Risk Owner: Chief Executive</p> <p>Risk Information:</p> <p><b>Corporate Context</b> Safeguarding is the responsibility of all members and officers, and this is reflected in the Corporate Safeguarding Strategy which was agreed by Cabinet in September 2019. All relevant partners have worked across Children's and Adults Safeguarding and Community Safety Partnerships to establish effective governance arrangements post Local Government Review which meet all required statutory requirements. As a relatively new Council covering a population of almost 400,000, BCP Council must ensure that it is working with all partners in the most effective way to identify, assess and respond to safeguarding and community safety issues, particularly those which cut across children's, adults and community safety.</p> <p><b>Adult Social Care</b> The pandemic has brought additional pressures to members of the public which has led to increased reporting of safeguarding concerns to adult social services but not a meaningful rise in formal safeguarding investigations. Services have been under increased pressure (particularly the NHS and social care providers) and it has been important to ensure that the public continue to receive high quality services and responses and appropriate safeguarding in the radically changed and rapidly changing context of the pandemic. Both the Safeguarding Adults Board and Adult Social Care Services must continue to ensure that there are effective multi-agency responses to all forms of abuse and neglect and that there is a skilled and sufficient workforce to undertake complex work to prevent harm, threat and risk. A particular area of focus for the Safeguarding Adults Board and Adult Social Care within the Council is to continue to strengthen quality assurance processes (including the frequency of case auditing) in order that there is comprehensive and timely evidence of good safeguarding practice and a continuous process of learning and development for all staff and managers. A key area for prevention of abuse and neglect is to work with the adult social care provider sector to monitor and continuously improve the quality of services with an objective that all social care provision is judged by the Care Quality Commission to be of a Good or Outstanding quality.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> <li>• Robust arrangements for Safeguarding Adults on a partnership basis managed through the Safeguarding Adults Board with appointment of a new independent chairperson in April 2021 on retirement of previous post holder.</li> <li>• Evaluation of effectiveness of the new service model adult safeguarding for BCP Council which was implemented in November 2020. Evaluation to be undertaken by November 2021 and staffing capacity required to meet an increased volume of safeguarding concerns will be kept continuously under-review.</li> <li>• An Adult Social Care performance management and quality assurance framework is in place and will be strengthened during 2021/22 with additional case auditing. The Health and Care Bill (2021) introduces Care Quality Commission oversight (the term inspection is not being actively used) of local authority adult social care, expected to begin in the spring of 2023.</li> <li>• Learning from Safeguarding Adult and Domestic Homicide Reviews will continue to be implemented. This includes the appointment of two dedicated staff to manage highest risk cases where a service user presents risks to others in 2021/22.</li> <li>• Implementation of new Liberty Protection Safeguards and Mental Health legislation by Spring 2023.</li> <li>• Implementation of robust multi-agency approach to monitoring and improving the quality of the adult social care provider sector together with the Care Quality Commission, Dorset Council, Dorset Clinical Commissioning Group and adult social care sector providers. This will include, during 2021/22, the re-introduction of visits to provider services by the Adult Social Care Service Improvement Team in line with national and local Public Health safe practice guidance in relation to COVID19.</li> </ul>		<ul style="list-style-type: none"> <li>• Further strengthen the Adult Safeguarding Board performance and quality assurance processes and Safeguarding Adults Board's line of sight to front line practice</li> <li>• As new structures are implemented through the Council's Smarter Structures programme, ensure that there is sufficient capacity to conduct regular independent audits and quality assurance of Adult Social Care safeguarding practice and of casework with people who present high risks in terms of their own safety or to the safety of others.</li> <li>• Work as part of the Community Safety Partnership to reduce the risks and impact of exploitation and County Lines on vulnerable adults</li> </ul>		March 2024




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR2B	<b>Failure to deliver effective safeguarding arrangements for children &amp; adults</b> <b>CHILDREN &amp; COMMUNITIES</b>		<p><b>Children's Services</b></p> <p>The pan-Dorset Safeguarding Partnership is not now decoupling, though a BCP delivery arm is being put in place to link the safeguarding partnership closer to the BCP operational safeguarding service.</p> <ul style="list-style-type: none"> <li>BCP had a SEND inspection in June 2021 which identified significant gaps in services which are being addressed through Written Statement of Action, and we will receive a 'focused visit' from Ofsted in September 2021 and a full graded ILACS inspection (also by Ofsted) early in 2022.</li> <li>Audits (practice learning reviews) are showing month-on-month improvements in the quality of safeguarding assessments, though there is still some way to go before sufficient assurance can be given to remove this risk from the Corporate overview.</li> </ul> <p>Key Mitigations</p> <ul style="list-style-type: none"> <li>As in CR1, the focus on the Children's Services improvement journey and action plan is to make core services safer for vulnerable children and young people. There is evidence this is improving each month. This gives an opportunity as a Phase 2 of closer links or merger with the BCP Safeguarding Adults Board and the local Community Safety Partnership</li> <li>The strongest mitigation is to have an effective front-door service which can respond in an agile and flexible way to unforeseen demands and changes in the pattern of safeguarding demands. The MASH continues to develop its systems for handling incoming referrals through the Assessment Service, into which it passes a significant percentage of referrals, is struggling to maintain an adequate level of service due to a rise in demand for assessments and considerable staffing difficulties.</li> </ul> <p><b>Communities</b></p> <p>Key consideration for the Communities directorate in discharging the range of duties provided across a range of services, community safety and domestic abuse in particular.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> <li>Safeguarding processes in place - working in partnership across the council and other key agencies, particularly in regard to risks presented in high-risk domestic abuse cases.</li> <li>All relevant staff are trained, and referral processes are clear.</li> <li>The refreshed BCP Community Safety Partnership Board have five strategic groups: <ul style="list-style-type: none"> <li>Domestic Abuse Strategic Group</li> <li>Violence Reduction Strategic Group</li> <li>Vulnerable Adult &amp; Child Exploitation Group</li> <li>Safer Communities Strategic Group</li> <li>Reducing Harm from Substance Misuse Strategic Group</li> </ul> </li> </ul>		<p>The relevant actions for this risk are set out in the Children's Services Action Plan. All of these 15 points are relevant to managing demand and adapting service delivery to post-pandemic referrals. Progress on delivery of the action is reported to a robustly functioning Improvement Board which has mandated senior leaders to take further actions as and when necessary to deliver improvements. The pace of change is fast already so cannot easily be quickened.</p> <p>Domestic Abuse Strategy approved and being implemented. Community Safety Partnership refreshed and working well with clearly defined structure leads and governance.</p>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR4	<b>Failure to provide adequate IT and cyber security</b>		<p>Risk Owner: Corporate Director Transformation</p> <p>Risk Information</p> <p>This risk continues as a corporate risk and includes the additional considerations of the pandemic including the increase in remote working. It is also reflective of the increasing dependency on the IT infrastructure. The changes to the external environment that has evolved over the last 12 months with publicly reported increases in phishing and an increase in the sophistication of cyber-attacks are relevant to the scoring of this risk.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> <li>• Each legacy Council has a strong infrastructure and work continues to migrate to a single BCP core infrastructure</li> <li>• Physical premises security</li> <li>• Physical data security</li> <li>• Encryption</li> <li>• Regular scanning</li> <li>• Multi layered security approach</li> <li>• Active security incident response team</li> <li>• Constant review of latest threats and their vectors</li> <li>• Regular patching and upgrades</li> <li>• Dedicated cyber security officer</li> <li>• Monthly review of key metrics</li> <li>• Continue to run 'internal' Phishing tests and use the data to target training and awareness for staff</li> <li>• Forced Multi Factor Authentication introduced in September 2021</li> <li>• New Password criteria introduced to ensure complex password use</li> <li>• Restrictions on ability to transfer data out of Council applications/datasets to non-secure applications when being accessed through personal devices</li> </ul>		As we fundamentally redesign and transition the enterprise architecture in partnership with our Strategic Implementation Partner we will ensure that the infrastructure is built to leading edge security standards.		








RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR9	<b>Failure to maintain a safe and balanced budget for the delivery of services</b>		<p>Risk Owner: Director of Finance</p> <p>Risk Information</p> <p>Although the council has a forecast surplus for the current 2021/22 financial year (15 December - Quarter 2 Budget Monitoring Report) it is currently estimating a £7.8m funding gap for 2022/23 which extends out to an annual funding gap of £44.6m by 2026/27 which is the fifth year of the medium-term financial plan (MTFP). There are several key assumptions associated with this forecast including council tax levels, the recovery of sales, fees and charges income streams from the pandemic, and the level of additional government funding following the announcements made in the Chancellor's 2021 Autumn Budget.</p> <p>In addition, a particularly salient risk associated with this position is the growing deficit on the Dedicated Schools Grant (DSG) with specific reference to the High Needs Budget. This means the council will have insufficient reserves to act as a counterweight when the current statutory instrument, which allows this issue to be ignored, ends on the 31 March 2023.</p> <p>A second pertinent issue is that the council continues to assume that it will be able to fund its transformation programme from the flexible use of capital receipts. Earlier this year the government announced their intention to extend the deadline for this policy from 31 March 2022 to 31 March 2025. Currently the regulations to permit this extension have not been formally laid. There is also a significant risk that when these regulations are laid, they will alter the current framework which the council has used as part of its financial planning.</p> <p>Key Mitigation</p> <p>Councils' governance arrangements including the annual budget planning process which stipulates regular MTFP Update and Budget Monitoring reports to Cabinet. This includes monthly Budget Overview Meetings, a High Needs Recovery Board, and a monthly Children's Services Budget Overview meeting. Specialist technical accounting advice and external audit advice is also being undertaken to support in assessing new financial vehicles or instruments, especially in the context of the prudential code and recent guidance on capital strategies.</p>		Formal consideration as part of the 2022/23 Budget report presented to Cabinet and Council in February 2022		




RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 11	<b>Ability of the council to function and operate efficiently in the delivery of single services across the area of BCP</b>		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>This risk was clarified with the title being reviewed and changed to ensure it captured the relevant detail. This risk recognises the complex reorganisation that created the new council from 1 April 2019, the need to provide harmonised services across the entire area and the ambitious transformation programme taking place with the on-going challenges of a pandemic.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> <li>• Training and development programme</li> <li>• Regular liaison between Cabinet and Corporate Management Board</li> <li>• Mentoring</li> <li>• Bedding down period for service re-structures</li> <li>• Member's toolkits</li> <li>• Six working groups of officers and members put in place to develop high-level delivery plans for the Corporate Strategy</li> <li>• A forward plan for harmonising the council's major service strategy and policy documents which will inform the Cabinet's forward plan has been agreed</li> <li>• Agreement of Corporate Strategy, People Strategy, Equalities Policy and Action plan leading to delivery plan will give some certainty</li> <li>• Corporate Strategy delivery plan actions reviewed by Cabinet and CMB to align with ambitions of the Big Plan and to reflect impact of Covid on priorities</li> <li>• The Overview and Scrutiny function has an associated skills and knowledge development programme in place to support members and ensure effective implementation of the function, which was developed in consultation with the Centre for Public Scrutiny (CfPS) as the body of excellence for scrutiny support to councils. This will include a review of the function planned for July 2020, supported by the CfPS, to provide opportunity for reflection on the first year of operation.</li> <li>• Extensive engagement with the Local Government Association to provide support for members as required, including making arrangements for mentoring and coaching and the LGA Peer Challenge in Nov 2021</li> <li>• Regular internal communication</li> </ul>		<ul style="list-style-type: none"> <li>• Continued monitoring of the harmonisation legacy policy and strategy documents</li> <li>• Complete a LGR stocktake of progress three years in, by April 2022 and consider if this needs to remain in the corporate risk register.</li> </ul>		



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 12	<b>Failure to achieve appropriate outcomes and quality of service for young people</b>		<p>Risk Owner: Interim Director of Children's Services</p> <p>Risk Information</p> <p>A 15-point 6-month action plan is in place and being driven forward by the interim Leadership Team in Children's Services. The Department for Education-led Improvement Board and Cabinet members are monitoring progress and keeping accountable officers on task.</p> <p>The only variation to this risk is the increasing likelihood that demands on children's services will increase more than predicted, especially in referrals for domestic abuse and mental health concerns, where a spike is expected over the coming months. An example of this is the number of younger children behaving in distressed and challenging ways in schools (Years 1-6 whereas the pattern before the pandemic was much more Years 5 and 6). This is one of many examples. The problems caused by the pandemic are if anything deeper than predicted, especially in the number of children who have become more disengaged with the mainstream having been out of it for so long.</p> <p>Whilst the risk is intrinsic, it is reducing, the evidence being continuous audits which show improvements in casework. It is important to remember that even good and outstanding children's services still carry these risks, but they would only normally appear on a risk register if the service is at risk of failing or has failed in some crucial respects. BCP was at risk of this last year, the risk is less now but the risks should remain on the corporate risk register until a full Ofsted inspection of BCP Council's Children's Services confirms the safety and quality of services is at a 'good enough' level.</p> <p>Key Mitigations / Actions</p> <ul style="list-style-type: none"> <li>• Improved attendance at critical conferences and reviews through online meetings cutting out travel time</li> <li>• Lower foster care breakdown rates with their carers at home more (data from across 7 countries)</li> <li>• All children and families needing home visits have been visited after risk assessments have been carried out</li> <li>• Recovery plans are in place and local government has a good track record of multi-agency working during recovery</li> <li>• The Multi-Agency Safeguarding Hub continues to function well, but the assessment service is under severe pressure as a result of the increase in referrals and special attention now needs to be given (again) to stabilise this service.</li> </ul> <p>Consideration has been given to whether this risk should be merged into CR2 above but keeping it as a separate and specific risk will ensure that appropriate resources are directed to solve the critical issues and improve services to support children and young people across the BCP area. Receiving a satisfactory assessment from Ofsted will remove the need to monitor this risk separately, but will not, alone, ensure that the Council delivers effective safeguarding arrangements for children and adults, which will continue to be covered by CR2.</p>		<ul style="list-style-type: none"> <li>• The 15-point 6 month action plan will be consolidated into a 2021/24 Children and Young People's Plan from April 2021 (an LGR requirement)</li> <li>• Other linked action plans are being driven forward in the same way e.g., the SEND action plan which also has an Improvement Board</li> <li>• Intensive work to achieve stronger staff engagement and support</li> <li>• A business case for additional funding from Department for Education is being submitted against their programme to prevent local authority children's services falling over</li> <li>• Development of the strongest in-house managers by Hampshire County Council (rated outstanding for children's services), so that the in-house leaders of the future are ready to take up the reins when the interim leaders move on</li> </ul> <p>There is no target date for this risk as it is considered a continuous intrinsic risk.</p>		





RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 13	Failure to deliver the transformation programme		<p>Risk Owner: Corporate Director Transformation</p> <p>Risk Information</p> <p>The future efficiency and effectiveness of the Council, our reputation as a service provider and our ability to continue to deliver a balanced financial position within the Medium Term Financial Plan horizon are fundamentally linked to the delivery of our transformation objectives. Delivering a programme with the complexity, scale and pace as set out by the Council will be challenging on a number of levels including: Identifying the correct partner(s) to support the delivery of the programme; effectively engaging the organisation in the vision of the future; committing to the achievement of challenging benefits realisation targets; ensuring the appropriate level of funding to support the resources required to deliver the programme.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"><li>• Strong design and engagement with key stakeholders to the business case</li><li>• Identification of funding sources and the development of a Financial Strategy to support the programme</li><li>• Strong identification and specification of our requirements while reflecting the extremely dynamic technology/data environment within which we will need to deliver the programme</li><li>• Robust and effective procurement process to identify and engage the right partner(s) to support the Council in the delivery of the programme</li><li>• Effective programme management and performance monitoring of the delivery.</li></ul>		<p>The programme, it's governance architecture and all workstreams have now been fully designed and are being implemented. There is very strong coordination of all workstreams and effective integration between the Strategic Implementation Partner and BCP teams working across the programme. The benefits are being constantly reviewed and reinforced across all aspects of the programme.</p>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 14	<b>Continuity of Public Health arrangements and evolution of outbreak management plan</b>		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>This risk was considered by the Chief Executive following its addition to the risk register. Due to the nature of the risk the mitigations and actions move at pace and are influenced by both the national and local position. They will continue to be reviewed and updated as part of the on-going response to the pandemic.</p> <p>Key mitigations</p> <ul style="list-style-type: none"> <li>Local Outbreak Management Plan in place and effective since July 2020 (updated November 2021 to reflect Autumn and Winter plan), with multiagency health protection board to oversee response to outbreaks in high-risk settings, surveillance, testing, contact tracing, vaccine uptake and coverage and communications and engagement.</li> <li>Public health day response team in place plus out of hours and weekend on-call rota established. Local trace partnership for BCP Council continue to handle significant contact tracing caseload meaning more rapid follow up of local cases and contacts, with high completion rates.</li> <li>Expansion of testing has been significant, both symptomatic PCR testing, and community asymptomatic testing now available to all adults.</li> <li>Continued delivery of COVID vaccination programme with significant ongoing challenge to reach over-18 population with booster doses, in addition to offer of two doses to 12-17s.</li> </ul>		<p>The country moved to step 4 of the national roadmap which saw most restrictions lifted. In the past 2 weeks some measures like face masks have been re-introduced due to the presence of a new variant of concern, Omicron (B.1.1.1.529). The public health team continues to provide strong outbreak management via the local outbreak management plan and health protection board. These arrangements were confirmed as continuing under the Autumn and Winter plan, and updated local engagement and response strategy. Due to continued high infection rates from Delta, Health Protection Board has agreed to continue to fund local contact tracing, targeted testing and ongoing communications and engagement to reduce transmission. Current performance on the vaccination programme is a challenge due to expansion of national offers and workforce constraints. The EpiCell model predicts cases will continue to rise until mid-January, with further increased hospital admissions albeit at a lower level than previous waves because of protection due to vaccination.</p>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 15	Effective people strategy		<p>Risk Owner: Chief Executive</p> <p>Risk Information</p> <p>The Council's People Strategy was developed and launched during 2019/2020 - immediately prior to the impact of the Covid-19 pandemic. A significant amount of the anticipated work within the strategy has been impacted by the need to refocus on the support and wellbeing of the workforce during the response to the pandemic. As we hopefully emerge from the full response phase of the pandemic, focus is now shifting to rechecking the key elements of the Strategy against the changed workforce/workplace and the wider transformation programme objectives.</p>		<ul style="list-style-type: none"><li>Strong analysis and reaction to the key themes emerging from the Employee Engagement Survey</li><li>Clear correlation between the key themes of the People Strategy and the design and implementation of the transformation programme</li><li>Develop stronger communications capabilities within our management structures</li></ul>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR 18	Failure in customer interface		<p>Risk Owner: Corporate Director, Transformation &amp; Resources</p> <p>Risk Information</p> <p>While full scale transformation of the Council is underway, there is a risk that our current customer service capabilities, capacity, systems and processes fail to provide the level of responsiveness that our communities and residents expect. This risk is specifically focussed on the short-term capabilities of the Council.</p> <p>Full baselining and data monitoring of the corporate customer contact centre is now possible with the significant upgrade to the Council's legacy telephony arrangements haven been undertaken during the Covid pandemic. Data is currently being produced and analysed in order to provide the basis of identifying and supporting a range of intervention and improvement projects over the course of the next three months.</p>	TBD	<p>To be defined once analysis is complete. Interventions are likely to include significant increase in available resources across all channels in order to support improvements in outcomes pending the full transformation programme outcomes.</p>		

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	RISK INFORMATION & KEY MITIGATIONS IN PLACE	NET RISK SCORE	FURTHER ACTIONS	TARGET RISK SCORE	DATE TO ACHIEVE TARGET SCORE
CR19	Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)		<p>Risk Owner: Chief Operations Officer</p> <p>Risk Information</p> <p>The risk is identified as the failure to achieve the statutory targets for determining planning applications (8,13 or 26 weeks depending on application type), and continuing to be over-reliant on extensions of time (EOT).</p> <p>This risk is in the process of being fully analysed for its inclusion on the Corporate Risk Register. It will consider the position in terms of the current risk and the mitigations in place and actions proposed to further manage the risk. These will be included in further reports to the committee which will include a target score and the target date for this score to be achieved. For the purposes of this report the gross and net risk scores have been estimated and will be updated in the next report.</p> <p>Below are details of the mitigations already in place.</p> <p>Key Mitigations</p> <ul style="list-style-type: none"><li>Monthly improvement board meetings</li><li>Change Plan in place</li></ul>				

This page is intentionally left blank

## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Annual Governance Statement 2020/21 - Action Plan Update</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>This report provides an update against the Annual Governance Statement (AGS) Action Plan which identified actions to be taken to address the significant governance issues in 2020/21 AGS, as follows:</p> <ol style="list-style-type: none"> <li>1) <u>Governance of Children's Social Services</u> - Delivery of the 15 point action plan has a robust governance structure. Significant improvements have been made from last year, from a weaker starting point than was first realised. All services are showing improvement, albeit with different rates of progress. In December 2021, Ofsted completed an inspection of local authority children's services visit, the outcome of which will be known in February 2022, when the report will be published. The improvement plan is being adjusted in line with findings of this Inspection.</li> <li>2) <u>Governance Arrangements with External Bodies</u> <ol style="list-style-type: none"> <li>a) Parks, charities and trusts – two reports on the governance of public parks have been taken to Audit &amp; Governance Committee in the year. The December 2021 report made recommendations including for a report to assess all BCP parks and open spaces trusts arrangements, including options for governance arrangements. The Internal Audit review resulted in a partial audit option, meaning there are weaknesses in the control framework which are putting service objectives at risk.</li> <li>b) Partnerships – progress has been made to develop a corporate partnership register and draft guidance, however, this has been slower than anticipated and is now due to be completed by 31/3/2022.</li> </ol> </li> </ol> <p>Progress to ensure full compliance with the Financial Management Code from 2021/22 is underway. The Council's Finance transformation programme, along with other measures, is expected to deliver improvements, savings and efficiencies.</p>

<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee note the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2020/21 and the actions required to ensure full compliance with the Financial Management Code.</b></p>
Reason for recommendations	Audit & Governance Committee has the responsibility for considering the arrangements for Corporate Governance including reviewing and approving the AGS.
Portfolio Holder(s):	Councillor Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard - Head of Audit &amp; Management Assurance  📞 01202 128784  ✉ nigel.stannard@bcpcouncil.gov.uk</p> <p>Ruth Hodges – Audit Manager (Deputy Chief Internal Auditor)</p>
Wards	Council-wide
Classification	For Update

## Background

- The 2020/21 Annual Governance Statement for BCP Council was approved by Audit and Governance Committee in July 2021. It concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. However, two significant governance issues were identified as follows:
  - Governance of Children’s Social Services –serious concerns, including in leadership and management, were raised by Ofsted in the focused visit to Children’s Services in October 2020. In response, a 15-point action plan was produced, delivery of which is being overseen by a robust governance structure.
  - Governance Arrangements with External Bodies – to ensure governance arrangements are fit for purpose in the following areas:
    - Parks, charities and trusts – to address governance concerns
    - Partnerships – to improve corporate oversight and guidance
- An Action Plan to address these was approved, and it was agreed that a progress report be presented to this January 2022 Audit and Governance Committee.
- Work will shortly commence to prepare the 2021/22 AGS, which will include the completion of assurance statements by all service and corporate directors, which



will be used to assess adequacy of the governance framework. The draft will be available for public inspection in line with the statutory time frame (currently June 2022).

4. As required by best practice, the 2020/21 AGS also considered progress towards compliance with the Financial Management Code, which provides guidance for good and sustainable financial management. Full compliance is expected from 2021/22; during 2020/21, a self-assessment against the FM Code was undertaken. This concluded that BCP Council was largely compliant across all areas, with actions identified to move towards full compliance. The Council's Finance transformation programme is in its initial stage and is expected to deliver improvements, savings and efficiencies, along with the other measures identified.

#### **Action Plans - Update**

5. Table 1 shows progress made to date again the actions identified in the AGS, and Table 2 shows progress against the actions required to ensure compliance with the Financial Management Code.

**Table 1 - showing Update against Annual Governance Statement 2020/21 Action Plan:**

1

## Governance of Children's Social Services

A focused visit to Children's Services made by Ofsted in October 2020 resulted in a formal published letter sent on 27 November 2020. This set out serious concerns about the quality of services, which warranted urgent and immediate attention. These included governance related concerns, with the failures mostly in leadership and management.

In response, a 15-point Action Plan has been produced, which contains all the areas for improvement needed for the service to reach the level required by the full ILACS (inspection of local authority children's services) by Ofsted. The Action Plan is rigorously monitored by the Department for Education Children's Services Improvement Advisor holding Children's Services leadership to account. The midway review of progress was carried out in April 2021 to benchmark the progress made to date. Satisfactory progress was made across all areas. In particular, the building blocks for sustainable change are now in place to improve the lived experience of children, young people and their families. The previous Learning Improvement Plan, and any outstanding issues, have been superseded by the above Action Plan.

Delivery of the action plan has a robust governance structure. A Children's Services Improvement Board was set up, chaired by the DfE Children's Services Improvement Adviser. The Board meets six-weekly. The Leader of the Council, the two relevant Cabinet members, the Chief Executive, the interim Director of Children's Services, a DfE representative, the LGA-appointed chair of the SEND Improvement Board and BCP's Director of Finance are core members. Group Leaders are briefed regularly, and Children's Overview and Scrutiny receive regular reports.

All services are showing improvement, monitored through performance data and evidence-based Practice Learning Reviews (audits) to ensure progress is being made with pace and purpose. Improvements in the weakest services correlated directly with the appointment of new interim managers who are highly experienced in running these services and who know from experience how to improve them. Step changes in performance can be seen in the multi-agency safeguarding hub (MASH): in court work and in performance planning for children in care or on the edge of care; and in the timeliness of assessments.

Significant improvements have been since the Ofsted focused visit, which were acknowledged by Ofsted in the 'Annual Conversation' held in April 2021. They also recognised, as does BCP Council, that further improvements at pace are still required, including changes to culture.

Action Points	Responsible Officer	Target Date	Update – December 2021
Delivery of the Action Plan (as detailed above)	Corporate Director – Children's Services	As per Action Plan	<p>The service continues to work on improvements in line with the 15-point Action Plan produced following the October 2020 'focussed visit' by Ofsted. The plan covers all the areas for improvement needed for the service to reach the level required by the full ILACS (inspection of local authority children's services) by Ofsted. The Action Plan is rigorously monitored by the Department for Education Children's Services Improvement Advisor holding Children's Services leadership to account. Satisfactory progress was made across all areas reported in the April 2021 midway review. In particular, the building blocks for sustainable change are now in place to improve the lived experience of children, young people and their families. Two separate Boards/Committees established this year, give added strength to the overall governance arrangements – the BCP Children and Young Peoples Partnership Board, which is a multi-agency Board and the BCP Safeguarding Children Committee, which is also multi-agency, focussing on children's safety and protection.</p> <p>Delivery of the Ofsted action plan has a robust governance structure. A Children's Services Improvement Board, chaired by the DfE Children's Services Improvement Adviser which meets six-weekly. The Leader of the Council, the two relevant Cabinet members, the Chief Executive, the interim Director of Children's Services, a DfE representative, the LGA-</p>

appointed chair of the SEND Improvement Board and BCP's Director of Finance are core members. Group Leaders are briefed regularly, and Children's Overview and Scrutiny Committee receives regular reports.

Significant improvements have been made from last year, from a weaker starting point than was first realised. These were acknowledged in the Annual Conversation in April 2021 by Ofsted. All services are showing improvement, albeit with different rates of progress. This is monitored through performance data and evidence-based Practice Learning Reviews (audits) to ensure the maximum pace and purpose. The areas for priority action in the focussed visit were addressed immediately and significant investment in leadership development was made through a DfE-funded partnership with Hampshire County Council. Step changes in performance can be seen in the multi-agency safeguarding hub (MASH): in court work and in performance planning for children in care or on the edge of care; and in the timeliness of assessments. The amount of poor work through greater management grip is decreasing. All improvements have been made at the same time as managing extremely high need and pressure as a result of the Covid pandemic. Despite these unprecedented pressures, improvements have started and there is now a strong edge of care service offer being embedded and a 'team around the school' service which is aimed at ensuring children and young people who need early help are identified and supported in their everyday settings, accompanied by a much better application of thresholds. Corporate parenting is stronger, participation of children, young people and their families is getting better, permanence plans for children are in place and specialist teams such as the Virtual School, CHAD and Complex Safeguarding have made significant improvements. The improvement journey will be a long one (years) and whilst there has been some progress in the recruitment of permanent staff, there is still too much churn in some services, e.g. the Assessment Service and too much reliance on agency staff.

The 3 main pillars of Children's Services – social care, SEND and inclusion practice in schools – all need further sustained improvement, and work is ongoing to integrate our improvements to become more efficient and effective in how we approach improvement programmes. There is also a need to become more consistent as well as pacier. The quality of practice needs to keep improving to impact on the lived experience of our children, young people and families.

There is a highly committed and motivated workforce who are determined not just to withstand increased pressure, but to go on making the necessary improvements. It is recognised that further improvements at pace are still required, including changes to the operating culture in BCP. In December 2021 Ofsted completed an ILACs visit, the outcome of which will be known in Feb 2022, when the report will be published. The improvement plan is being adjusted in line with findings of this Inspection.

## Governance Arrangements with External Bodies

In the 2019/20 AGS, BCP Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose, and this was reflected in the action plan. Significant work has been undertaken to improve overarching governance and to review and strengthen arrangements with external bodies over the year. This has included strengthening the BH Live contract management and governance arrangements, including strategic, operational and financial, operating in line with agreed frequencies. Substantial progress has been made to enhance the governance in the housing companies, including the agreement to appoint a permanent company secretary. Plans to externalise the Russell Cotes Museum into a separate charity are now well underway. Corporately, a comprehensive review of the BCP Council Constitution has started which will include the Officer/Member Protocol and the Monitoring Officer has delivered training covering governance and decision-making to Councillors. The Audit & Governance Committee have received presentations on the governance arrangements for trusts, companies and charities. However, the Council has identified specific areas in which it needs to further strengthen its arrangements, and work is in progress to improve the following:

a) **Parks, charities and trusts** (including Five Parks Trust, Lower Central Gardens Trust and Parks Foundation Limited) – progress in implementing previous recommendations has been slower than anticipated, due to the role of the service in responding to the management of excess deaths and support to the Coroners and Bereavement functions during the pandemic. Governance concerns remain, such as the Lower Gardens Trust which has not held a Board meeting since 2019. Initial discussions regarding a review of governance have been held with Legal.

b) **Partnerships** – whilst local partnership registers are largely in place, there is no BCP Corporate Partnership Register. However, work is underway to compile one. Whilst arrangements are in place for some individual partnerships, there is no corporate oversight of the arrangements, nor any guidance (other than that in the Financial Regulations) for best practice in managing partnerships, including governance arrangements.

Action Points	Responsible Officer	Target Date	Update – December 2021
<b>1. Parks, charities and trusts</b>			
a. Outline presentation to Audit & Governance Committee in June 2021	Chief Operations Officer	30/6/21	A report on the governance of public parks in the BCP Council area was taken to Audit & Governance Committee (A&G) in June 2021. In response to the issues raised, the Committee resolved that a report reviewing the governance of BCP's public parks be provided to A&G and Overview and Scrutiny Board at the earliest opportunity. A report was taken to A&G in December 2021, with recommendations for further due diligence, a review of the Memorandum of Understanding, and a report to assess all BCP parks and open spaces trusts arrangements, including recommendations for governance arrangements (see c below).
b. Internal Audit requested by the Service Director to be undertaken by end July 2021 with action to be delivered by March 2022	Director – Environment	31/7/21	The planned Internal Audit has been completed and has been given a partial audit option, meaning there are weaknesses in the control framework which are putting service objectives at risk. Issues identified included ill-defined and inconsistent management and governance arrangements, lack of appropriate legal agreements and failure to hold regular Lower Central Gardens Trust Board meetings. Further details,

			are reported to this Committee in the 'Internal Audit – Quarterly Audit Plan Update paper'.
c. Parks Trust arrangements to be reviewed to achieve consistency and meet all relevant governance requirements	Chief Operations Officer & Monitoring Officer	31/3/22	Following the report to A&G in December, it was agreed that legal services will commission a report to assess all trust arrangements for parks and open spaces across BCP and produce recommendations for governance arrangements.
<b>Partnerships</b>			
a. The Corporate Partnership Register is completed	Head of Policy & Performance Management	30/9/21 Revised 31/3/22	Work has started on developing the register but this is not complete.
b. Corporate oversight of partnerships is established, including use of the Partnership Register	Chief Executive	30/9/21 Revised 31/3/22	BCP Council has corporate oversight of partnerships. The recent peer review looked at the council's partnership arrangements in some detail. Early indications are positive about the Council's established and developing partnership arrangements.
c. Corporate partnership guidance is produced to supplement Financial Regulations, which can also be used for compliance purposes	Head of Policy & Performance Management	31/12/21 Revised 31/3/22	Partnership guidance has been drafted. It is subject to further review and expected to be presented to DSG for feedback by March 2022

**Table 2 - showing Update against Actions required to achieve full compliance with Financial Management Code :**

	Issue	Recommendation	Update – December 2021
1	The children's services capital strategy is under-developed with no new projects included in the 2021/22 programme and a residual programme of less than £1million in future years.	A children's services capital strategy and detailed plan to be prepared - aiming for Cabinet in July 2021 and going forward to be refreshed annually as part of the February budget report.	A report was taken to Cabinet in October 2021.  Further detail to be included in the budget report in February 2022.
2	An analysis of the overall capital requirements of the council's estate is not yet in place to inform a capital strategy or estate management arrangements. This is in progress supported by consultants.	The physical estate needed to support future service delivery and corporate objectives should be established alongside future estate management arrangements to determine an appropriate corporate landlord model for the council. Capital strategy to be informed by the review.	Report taken to Corporate Management Board from consultants Avison Young on 7 December – next steps being considered.
3	The council involves a range of stakeholders in setting the annual budget, this includes specific consultation on service-based savings plans but not general consultation with residents.	Consideration of whether the budget process would be enhanced by any additional consultation processes.	Budget simulator exercise being considered to support the 2023/24 budget.
4	There is little regular reporting of balance sheet items to Corporate Management Board (CMB), other than the level of projected reserves and transformation costs in quarterly Cabinet reports. Other items are monitored through monthly budget overview meetings with the chief executive and leader of the council.	Determine if further balance sheet and other items (e.g. procurements undertaken) should be monitored by CMB.	No new items being monitored in 2021/22 as current arrangements, although not ideal, are considered to be adequate with the resources available.  The need for regular reviews of the balance sheet is being considered as part of the Finance transformation programme for the future as the Council's ambition is growing with larger and more complex projects being planned. The detailed work package proposal (SWPP) was signed off by the Transformation Board on 9 November.

5	<p>The detail of fixed assets for accounting purposes is maintained on spreadsheets with the inherent risk of data corruption or loss going undetected with little system reliance. There is no link with the subsidiary systems that provide other asset management information.</p>	<p>The main accounting systems, including for fixed asset recording, is an early work package for the strategic investment partner and will take time to implement.</p>	<p>The Finance transformation programme is at the initial stage. There are plans to implement a fixed asset module through a project workstream. As above, the detailed work package proposal (DWPP) was signed off by the Transformation Board on 9 November. Implementation of the new system is expected from 1 April 2023 and will deliver savings and efficiencies. In the meantime, the current spreadsheet system is considered adequate but not ideal.</p>
---	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Options Appraisal**

6. An options appraisal is not applicable for this report.

**Summary of financial implications**

7. There are no direct financial implications from this report.

**Summary of legal implications**

8. There are no direct legal implications from this report.

**Summary of human resources implications**

9. There are no direct human resources implications from this report.

**Summary of sustainability impact**

10. There are no direct sustainability impacts from this report.

**Summary of public health implications**

11. There are no direct public health implications from this report.

**Summary of equality implications**

12. There are no direct equality implications from this report.

**Summary of risk assessment**

13. There are no direct risk implications from the report. However, failure to improve the governance arrangements in the areas identified will mean those risks are not addressed.

**Background papers**

Annual Governance Statement 2020/21 (Audit & Governance Committee 29/7/21)

**Appendices**

There are no appendices to this report.



## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Assurance Framework &amp; Internal Audit Planning Consultation</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>This report sets out the BCP Assurance Framework which identifies the different sources of assurance received across the Council. An additional key assurance area, Sustainable Environment, has been added to the Assurance Framework.</p> <p>The report also provides details of the proposed 2022/23 Internal Audit Plan approach. Following the PSIAS assessment this year the audit planning process has been enhanced to ensure links to corporate priorities and risks are clearly articulated.</p>
Recommendations	<p><b>It is RECOMMENDED that Audit &amp; Governance Committee:</b></p> <ul style="list-style-type: none"> <li>• <b>Agree the BCP Assurance Framework</b></li> <li>• <b>Provide any comments or feedback on the proposed draft 2022/23 Internal Audit Plan – high level allocation of resource and delivery approach</b></li> </ul>
Reason for recommendations	<p>To comply with Public Sector Internal Audit Standards.</p> <p>To set out the Council's Assurance Framework.</p> <p>To ensure Audit &amp; Governance Committee are informed of the proposed 2022/23 Internal Audit Plan approach.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard</p> <p>Head of Audit &amp; Management Assurance</p> <p>☎ 01202 128784</p> <p>✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>
Wards	Council-wide
Classification	For Information

## **Background**

1. The Public Sector Internal Audit Standards (PSIAS) set the principles for carrying out UK public sector internal audit and provide a framework for internal audit services to add value to the organisation, evaluate and improve performance. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF). They also include additional requirements and interpretations for the UK public sector, which have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.
2. First introduced in 2013, the PSIAS are updated periodically, most recently in 2017, to reflect changes made to the IPPF while having regard to any additional requirements or interpretations needed for the UK public sector.
3. The Local Government Application Note (LGAN) has been developed to detail the sector-specific requirements for the provision of internal audit services within a local government organisation within the UK Public Sector Internal Audit Framework.
4. The Internal Audit service at BCP Council is planned and delivered to meet requirements of the PSIAS and LGAN as set out in the Audit Charter, which is agreed annually by Audit & Governance Committee. The Charter includes a Quality Assurance & Improvement Programme in the Charter through which Internal Audit strives to improve and develop its service.
5. The PSIAS include a requirement for a risk-based audit plan to be developed whilst considering other sources of assurance and for the 'board' (Audit & Governance Committee) to approve the plan.

## **Assurance Framework**

6. The BCP Council's Assurance Framework (Appendix A) identifies the key components that enable the Council to satisfy itself that the risks to its objectives and the risks inherent in undertaking its work have been properly identified and are being managed by controls that are adequately designed and effective in operation.
7. It identifies the sources of assurance, internal and external, received across the Council. This assists the Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the council's governance arrangements, risk management framework and internal control environment.
8. The PSIAS state that the Head of Internal Audit must provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal controls (i.e. the control environment). The Assurance Framework identifies the scope of the Council's control environment.
9. The Assurance Framework also informs the Council's Annual Governance Statement (AGS), which reports on the effectiveness of the governance framework.
10. The range of key assurance functions is reviewed at least annually by Internal Audit to ensure that it reflects the Council's governance and priorities. This year, an additional key assurance area, Sustainable Environment, has been added to the Assurance Framework. This is to reflect the responsibilities of all service areas to comply and manage risks in this area, both in internal processes and external delivery.
11. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

## **Audit Plan 2022/23 – High level allocation of resource**

### Best Practice Compliance

12. The PSIAS require Internal Audit to produce a risk-based Audit Plan which should take into account the assurance framework, the requirement to produce an annual internal audit opinion and the relative risk maturity of the organisation.
13. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
14. The proposed work in the draft 2022/23 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment (as identified in the Assurance Framework).
15. Following the PSIAS assessment this year, audit planning has been enhanced to ensure the links to corporate priorities and risks are clearly articulated (as shown in a. and b. below). Internal Audit identify and risk assess the audit universe (i.e. the auditable areas of the Council), which includes the following:
  - a. Risks to achieving the Council's Priorities and Objectives as stated in the Corporate Strategy, including the "We wills..." which underpin the objectives
  - b. Risks to delivering key Council projects, including those on the Big Plan, and the Transformation Programme
  - c. Risks identified in the Corporate Risk Register and in Service / Directorate Risk Registers, including consideration of risk maturity of the organisation
  - d. Risks to achieving Service / Directorate Priorities and Objectives as stated in business plans and other service documentation
  - e. Other sources of data, for example, financial information, performance monitoring, assets held, when last audited and previous audit findings
16. The relative priority of planned audit work, based on the audit risk assessment, helps to determine which High Level Risk audits will be undertaken during the year.
17. The resource required to deliver the audit plan is determined to ensure that adequate assurance can be given against the assurance framework and high-risk areas identified to support the Chief Auditor's annual audit opinion. This includes ensuring that assurance is available across a range of high-risk corporate, directorate and service areas, as well as Key Assurance Functions, Key Financial Systems, Counter Fraud and other areas.
18. The table below outlines the Audit Plan days for 2022/23, with comparison to the 2021/22 Audit Plan.

AUDIT ACTIVITY	DETAIL	2021/22 PLAN DAYS	2022/23 PLAN DAYS	Difference (Days)	Reason for Difference
<b>CORE AUDIT &amp; ASSURANCE WORK</b>					
HIGH LEVEL RISKS	As per audit risk assessment using Corporate Strategy, Big Plan, Corporate & Directorate Risk Registers and other sources	700	700		
KEY FINANCIAL SYSTEMS	Financial systems with significant value / materiality	230	200	-30	Less days required for financial systems following alignment of some financial systems (e.g. Debtors)
KEY ASSURANCE FUNCTIONS	As identified on Assurance Framework (Appendix A)	195	195		
COUNTER FRAUD RISKS	As per Internal Audit's Counter Fraud Risk Register	160	160		
SCHOOLS	As per Internal Audit's Schools Risk Assessment	60	60		
OTHER	Including audit planning, advice and follow ups	270	270		
<b>TOTAL</b>		<b>1,615</b>	<b>1,585</b>	<b>-30</b>	
<b>OTHER AUDIT WORK</b>					
INVESTIGATIONS	Fraud/management investigations	100	275		Less overall days allowed for contingency reviews based on 21/22 actuals
CONTINGENCY WORK	Other audit reviews as requested and carry forwards	70			
GRANT CERTIFICATION WORK	Chief Internal Auditor certification as required per grant conditions	45			
FINANCIAL REGULATIONS COMPLIANCE	Responding to requests for waivers and instances of breaches	20			
BCP TRANSFORMATION & EFFICIENCY	Supporting Transformation, and income generation (including commercial) & business opportunities in support of the MTFP	60			
<b>TOTAL</b>		<b>295</b>	<b>275</b>	<b>-20</b>	
<b>CORPORATE ASSURANCE WORK</b>					
CORPORATE FRAUD	Includes service specific support on housing and right to buy applications verification and fraud referrals	125	215		
FREE EARLY EDUCATION FUNDING AUDITS	Assurance on funds allocated to providers	70			
OTHER CORPORATE ASSURANCE WORK	Includes two Charter Trustees audits and verification of expenditure on the 'Aspire' European grant	20			
<b>TOTAL</b>		<b>215</b>	<b>215</b>	<b>0</b>	

GOVERNANCE WORK					
CORPORATE MANAGEMENT & LIAISON	Work with External Audit and Senior Management	25	} 170		Additional days to allow for support of support of corporate groups including equalities
MEMBER LIAISON	Audit & Governance Committee work	65			
AGS (Annual Governance Statement)	Preparation & monitoring of the Council's Annual Governance Statement and local code of governance	75			
<b>TOTAL</b>		<b>165</b>	<b>170</b>	<b>+5</b>	
IA SERVICE MANAGEMENT WORK					
MANAGEMENT & MEETINGS	Staff management and meetings, including 1-2-1s and recruitment	250	} 430		Temporary increase in development days to ensure IA service aligns with and supports corporate transformation and new organisational design
AUDIT DEVELOPMENT	Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes	80			
PERFORMANCE MANAGEMENT	Monitoring/reporting on team performance and quality assurance processes	60			
<b>TOTAL</b>		<b>390</b>	<b>430</b>	<b>+40</b>	
NON-PRODUCTIVE TIME					
LEAVE		505*	} 775		*Note 21/22 figure for leave rounded up
SICK/DOWNTIME		55			Net increase in days to reflect additional bank holidays and other minor changes
TRAINING & CPD		160			
VACANCY CONTINGENCY		50			
<b>TOTAL</b>		<b>770</b>	<b>775</b>	<b>+5</b>	
<b>TOTAL DAYS</b>		<b>3,450</b>	<b>3,450</b>		

### Audit Plan Delivery

19. The Core Audit & Assurance Plan audits will generally be completed on a Directorate basis covering a selection of Key Assurance Function areas, any appropriate Financial Systems, High Level Risks and relevant Counter Fraud work determined by the relative priority of the audits determined during the annual planning process. This approach enables Internal Audit to prioritise work within and between each Directorate and be able to respond to any changes in the Council's business, risks, operations, programmes, systems and controls.
20. During 2022/23 there will continue to be much organisational change as the Council transforms its services through 'Smarter Structures' and new organisational design. It is also anticipated that there will also be continued impact from the Covid-19 pandemic. Both of these will require a flexible audit approach to address the changing environment.
21. Internal Audit will act as an enabler for this change, working with management to help identify emerging risks, advising on changes to processes and associated controls and also to help support improvement whilst ensuring a robust governance framework is maintained. Real-time assurance will be provided throughout the year.

### Audit Plan Consultation/Agreement

22. As part of the compilation of the 2022/23 plan, following this consultation with Audit & Governance Committee, the Corporate Directors and Service Directors will also be consulted to capture any emerging risks/pertinent issues.
23. Following the consultation process the final 2022/23 Audit Plan will be brought back to this Committee for formal approval in April 2022.
24. A detailed breakdown of audit days required in each Directorate will be included in the final 2022/23 Audit Plan however it should be noted that a great deal of flexibility will be needed on this and work on other activity in order to respond to the continued organisational change.
25. Audit & Governance Committee are asked to consider and comment on the proposed 2022/23 Audit Plan approach.

### **Options Appraisal**

26. See audit plan approach option above.

### **Summary of financial implications**

27. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process. The Plan outlined above at paragraph 18, assumes the 2022/23 Internal Audit budget will be approved broadly on the same basis as 2021/22 and allowing for inflationary growth only. This level of resource is considered sufficient to provide the CIA annual audit opinion.

### **Summary of legal implications**

28. There are no direct legal implications from this report.

**Summary of human resources implications**

29. There are 13.42 full-time equivalent (FTE) Internal Audit staff members planned to be employed as part of the 2022/23 audit plan inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud prevention, detection and investigation. It is the opinion of the Chief Internal Auditor that these resources are considered sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances required.

**Summary of sustainability impact**

30. There are no direct sustainability impact implications from this report.

**Summary of public health implications**

31. There are no public health implications from this report.

**Summary of equality implications**

32. There are no direct equality implications from this report.

**Summary of risk assessment**

33. This report ensures compliance with the Public Sector Internal Audit Standards.

**Background papers**

None

**Appendices**

Appendix A – BCP Assurance Framework

# BCP COUNCIL ASSURANCE FRAMEWORK – APRIL 2022



AUDIT & GOVERNANCE COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	ASSURANCE SOURCE / FUNCTIONS	RESPONSIBLE DIRECTORATE / BODY
			Asset Management	Customer & Business Delivery and Development
			Business Continuity	Finance
			Business Planning/Performance Management	Policy & Research
			Counter Fraud	Finance
			Financial Management	Finance
			Health & Safety	Finance
			Human Resources	HR & Organisational Development
			ICT	IT & IS
			Information Governance	Law & Governance
			Internal Audit	Finance
			Management Assurance Statements	BCP Corporate Management Team, Service Directors and Statutory Officers
			Procurement	Finance
			Project & Programme Management	Project Management Office & Major Change
			Risk Management	Finance
			Safeguarding	Policy & Research
			Partnerships	Finance and Law & Governance
			Sustainable Environment	Various
		EXTERNAL ASSURANCES	External Audit	Grant Thornton
			Assessment of Internal Audit	CIPFA (full compliance with PSIAS)
			External Reviews & Inspections	e.g. Care Quality Commission, OFSTED
			Regularity Bodies	e.g. Information Commissioner
			External Benchmarking	e.g. CFO Insights
			Peer Reviews	e.g. Corporate Peer Challenge



## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - Quarterly Audit Plan Update</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2021/22 Audit Plan for the period October to December (inclusive) 2021. The report highlights that:</p> <ul style="list-style-type: none"> <li>• Fifteen audit assignments have been completed, of which there were thirteen 'Reasonable' and one 'Partial' audit opinions and there was also one 'Consultancy' audit review;</li> <li>• Twenty six audit assignments are in progress;</li> <li>• Implementation of audit recommendations is satisfactory;</li> <li>• Further progress to address the recommendations and suggestions made in the Public Sector Internal Audit Standards external assessment has been made resulting in one recommendation and three suggestions being implemented.</li> </ul>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee note progress made and issues arising on the delivery of the 2021/22 Internal Audit Plan.</b></p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2021/22 Internal Audit Plan.</p> <p>To ensure Audit &amp; Governance Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit &amp; Management Assurance ☎01202 128784 ✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>
Wards	Council-wide
Classification	For Decision and Information

## Background

1. This report details Internal Audit's progress against the 2021/22 Audit Plan for the period October 2021 to December 2021 inclusive and reports the audit opinion of the assignments completed during this period.
2. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

## Delivery of the 2021/22 Internal Audit Plan – Quarter 3 review

3. Fifteen audit assignments have been fully completed in this quarter of 2021/22 (Oct-Dec 21) as outlined below.

### 2021/22 Audits Completed

	Service Area	Audit	Assurance Opinion	Recommendations		
				High	Med	Low
1	Adult Social Care	Information Governance (KAF)	Reasonable	0	2	2
2	Adult Social Care	Homecare Provider Payments	Reasonable	0	2	0
3	Environment	Parks Partnerships Governance Arrangements*	Partial	5	6	0
4	Finance	Financial Management Code	Consultancy	-	-	-
5	Development	Discretionary Grants	Reasonable	0	2	5
6	HR & Organisational Dev	Pre-Employment Checks (counter fraud)	Reasonable	0	2	2
7	Children's Services	Poole High School	Reasonable	0	2	0
8	Communities	Health & Safety and Fire Safety	Reasonable	0	3	2
9	Law & Governance	Information Governance*	Reasonable	0	8	2
10	Finance	Contractor Selection & Payments (counter fraud)	Reasonable (combined report)	0	6	3
11	Finance	Procurement				
12	Finance	Treasury Management	Reasonable	0	5	5
13	Children's Services	Christchurch Learning Centre	Reasonable	0	2	2
14	Children's Services	St Katherine's School	Reasonable	1	2	2
15	Children's Services	St Walburga's School	Reasonable	0	5	5
<b>Total Recommendations</b>				<b>6</b>	<b>47</b>	<b>30</b>

\*This audit is subject to final agreement with management

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
- **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
- **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk.
- **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk.

4. There was one 'Partial' assurance audit report issued during the quarter:

#### **Environment – Parks Partnerships Governance**

Ten recommendations (5 high, 6 medium) were made in this Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Whilst in development, an overarching Green Infrastructure Strategy and associated policies and project plans are not yet in place preventing clear articulation and understanding of roles, responsibilities, levels of Council influence / control and associated governance arrangements plus inability to make meaningful assessment of alignment of external entities' objectives to those of the Council (High Priority)
- Ill-defined and inconsistent management and governance arrangements (High Priority X 3)
- Occupation of Council land and buildings by a third party without appropriate legal agreements in place in breach of Financial Regulations (note that this is an inherited position and not limited to Parks) (High Priority)
- Legal position regarding ex-Council employees' membership of the Parks Foundation Board and associated implications in need of clarification (Medium Priority)
- Formal Partnership Agreement for Stour Valley Park Partnership not yet developed (Medium Priority)
- Insufficient records to evidence decision to allow third parties to operate from Council land and buildings (Medium Priority)
- Failure to put appropriate conflicts of interest arrangements in place due to officer Declarations of Interest being considered from a third party rather than Council perspective (Medium Priority)
- Arrangements for post-award management of grant monies unclear (Medium Priority)
- Failure to hold regular Lower Central Gardens Trust Board meetings (Medium Priority)

Recommendations to address the issues have all been agreed with management and some are in progress.

5. There were no 'Minimal' assurance audit reports issued during the quarter. The status of other audits in progress (Oct-Dec 2021) is outlined below:

### 2021/22 Audits In Progress

	Service Area	Audit	Progress
1	Finance	Creditors	Draft Report
2	HR & OD	Human Resources (KAF)	Draft Report
3	Children's Services	Somerford Primary School	Draft Report
4	Children's Services	Winchelsea School	Draft Report
5	Adult Social Care	Direct Payments (counter fraud)	Draft Report
6	Destination & Culture	Russell Cotes Income Collection	Fieldwork
7	Finance	Serious & Organised Crime (counter fraud)	Fieldwork
8	Finance	Business Planning & Performance Management (KAF)	Fieldwork
9	Development	Estates - Asset Management	Fieldwork
10	Children's Services	Business Planning & Performance Management	Fieldwork
11	Children's Services	Children's Residential Services	Fieldwork
12	Children's Services	Capital Programme	Fieldwork
13	IT & IS	Network Security	Fieldwork
14	IT & IS	Business Continuity Arrangements	Fieldwork
15	IT & IS	Policies (KAF)	Fieldwork
16	Housing	Bournemouth Neighbourhood Housing Assets (Health & Safety Compliance)	Fieldwork
17	Finance	Debtors	Fieldwork
18	Finance	Council Tax	Fieldwork
19	Finance	NDR	Fieldwork
20	Finance	Risk Management	Scoping
21	Housing	Non-Rental Income	Scoping
22	Customer & Business Delivery	Facilities Management - Asset Management (follow up)	Scoping
23	Development (Finance)	Project & Programme Management – Smarter Places Programme	Scoping
24	Adult Social Care	ICT (KAF)	Scoping
25	Finance	Main Accounting System	Scoping
26	Children's Services	Safeguarding	Scoping

### 2021/22 Audit Plan Changes

	Service Area	Audit	Comment/rationale
1	Policy & Research	Business Planning & Performance Management	Scope of recent Corporate Peer Challenge included a review of this area
2	Resources	Programme & Project Management	Considered more value at looking at individual projects in service areas. This work has been completed.

## Significant Issues Arising and Other Work

6. Internal Audit carried out a review of a BCP cemetery to provide assurance on income collected. Income received matched burial records and there was no evidence of fraud. Recommendations were made to improve controls.
7. As reported to Audit & Governance Committee during the previous audit plan quarter update, Internal Audit are working on an action plan to address the four recommendations and four suggestions arising from a recent CIPFA validation of our self-assessment against the Public Sector Internal Audit Standards (PSIAS).
8. Further progress has been made on the action plan resulting in one recommendation and three suggestions being implemented as detailed below:

Ref	Recommendation	Action
R2	Include the following in the annual plan reported to the Audit & Governance Committee: <ul style="list-style-type: none"> <li>• How the plan addresses BCP's strategies, objectives, priorities &amp; risks</li> <li>• How internal audit is delivered and developed</li> <li>• How its resource requirements are assessed</li> <li>• The relative priorities of the planned audit work</li> </ul>	Included in Audit Planning Consultation Report being presented to 13 Jan 2022 A&G Committee
Ref	Suggestion	Action
S2	Place risk at the forefront of all audit planning, especially in discussions with auditees and the information shared with them	Audit approach is risk focused on all documentation and is shared with clients
S3	Look for ways to integrate Quality Assurance & Improvement Programme (QAIP) activities across the audit team and audit year, by carrying out rolling reviews or similar	QAIP updated with rolling reviews
S4	As well as showing how the annual plan addresses BCP's strategies, objectives, priorities and risks (R2), make this clear in individual audit plans and terms of reference to demonstrate the value of the audit (see also S2)	Audit documentation has been updated

9. One recommendation and one suggestion require action before 31 March 2022 to complete all work required, these are in progress and will be completed as part of the annual Audit Charter review. A further update will be brought to Audit & Governance Committee in April 2022.
10. Regarding Internal Audit team resourcing arrangements, plans are in place to recruit two new Audit Managers following the departure of one member of staff who transferred to a Capital Accountant post, and another Audit Manager who is planning on leaving for career progression to another government department. In the interim temporary staffing arrangements are in place through increasing hours for existing part time staff.

## Recommendations Implementation

11. All recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management or on a risk basis subject to pragmatic revisions to previously agreed dates.

12. No recommendations are required to be escalated to Audit & Governance Committee for non-implementation.
13. Work is being undertaken using new Microsoft technology applications to develop real time management information on recommendation statuses for both clients and other stakeholders. Further updates and recommendation information will be brought to future Audit & Governance Committee meetings.

### **Options Appraisal**

14. An options appraisal is not applicable for this report.

### **Summary of financial implications**

15. The BCP Internal Audit Team budgeted cost for 2021/22 is £697,900 which is inclusive of all direct costs including supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages other teams.
16. The Internal Audit Team is currently managing the departure of an Audit Manager and the planned departure of another Audit Manager at the end of February 2022 through temporary cover arrangements. There will be no detriment to the delivery of the annual audit plan/CIA opinion.

### **Summary of legal implications**

17. This report gives an opinion on the adequacy and effectiveness of the risk, control, and governance systems in place.

### **Summary of human resources implications**

18. The BCP Internal Audit Team consists of 13.53 FTE for the 2021/22 financial year however this is currently subject to minor variance due the departure of an Audit Manager and the planned departure of another Audit Manager at the end of February 2022, and corresponding temporary cover arrangements.

### **Summary of sustainability impact**

19. There are no direct sustainability impact implications from this report.

### **Summary of public health implications**

20. There are no direct public health implications from this report.

### **Summary of equality implications**

21. There are no direct equality implications from this report.

### **Summary of risk assessment**

22. The risk implications are set out in the content of this report.

### **Background papers**

None

### **Appendices**

None

**AUDIT AND GOVERNANCE COMMITTEE**

Report subject	<b>Forward Plan (refresh)</b>
Meeting date	13 January 2022
Status	Public Report
Executive summary	This report sets out the reports to be considered by the Audit & Governance Committee for the 2021/22 municipal year in order to enable it to fulfil its terms of reference.
<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p><b>The Audit &amp; Governance Committee approves the forward plan set out at Appendix A.</b></p>
Reason for recommendations	To ensure that Audit & Governance Committee are fully informed of the reports to be considered during 2021/22.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit &amp; Management Assurance ☎01202 128784 ✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>
Wards	Council-wide
Classification	For Recommendation Decision

**Background**

1. Good practice dictates that a forward plan should be agreed which sets out the reports to be considered by the Audit & Governance Committee over the next 12 months.

**The Forward Plan**

2. The Forward Plan set out at Appendix A has been developed through discussion with the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer, and the Council's External Auditors. The plan sets out proposals for the forward management of reports to be considered by the Audit & Governance Committee in order to enable it to fulfil its terms of reference.

3. The Audit & Governance Committee should note that the plan does not preclude extraordinary items being brought before the Committee in consultation with the Chair and Vice Chair as necessary and appropriate, thus ensuring that Audit & Governance Committee business is consistent with the terms of reference.
4. The Chairman regularly asks committee members for any topics requiring this Committee's consideration within its terms of reference and can be added at any time in the year or as they arise. These topics are generally shown in the 'Presentations' section of the Forward Plan, Appendix A. The presentations are made available to the public with the meeting minutes.
5. At the time of publication of this report there is an action on-going to identify a further Committee date in February 2022 for the consideration of the following item:

- Additional Restriction Grant

Officers from the relevant service will present information which summarises the governance arrangements and operational systems in place.

### **Options Appraisal**

6. An options appraisal is not applicable for this report.

### **Summary of financial implications**

7. There are no direct financial implications from this report.

### **Summary of legal implications**

8. There are no direct legal implications from this report.

### **Summary of human resources implications**

9. There are no direct human resource implications from this report.

### **Summary of sustainability impact**

10. There are no direct sustainability impact implications from this report.

### **Summary of public health implications**

11. There are no public health implications from this report.

### **Summary of equality implications**

12. There are no direct equality implications from this report.

### **Summary of risk assessment**

13. Development and agreement of the Forward Plan by the Audit & Governance Committee enables it to fulfil its terms of reference.

### **Background papers**

None

### **Appendices**

Appendix A – Audit & Governance Committee - Forward Plan 2021/22



**Audit & Governance Committee – Forward Plan 2021/22**

REPORT	10 JUN 2021 (extra)	29 JUL 2021	9 SEP 2021 (extra)	28 OCT 2021	1 DEC 2021 (extra)	2 DEC 2021 (extra)	13 JAN 2022	17 MAR 2022 (extra)	14 APR 2022
<b>ANNUAL REPORTS</b>									
Statement of Accounts 2020/21								✓	
Annual Governance Statement 2020/21 and Annual Review of Local Code of Governance ( <i>1 update on Action Plan only</i> )		✓					✓ <sub>1</sub>		
Chief Internal Auditor's Annual Opinion Report 2020/21		✓							
Annual Breaches & approved Waivers of Financial Regulations Report 2020/21		✓							
Annual Review of Declarations of Interests, Gifts & Hospitality by Officers 2020/21		✓							
Use of Regulation of Investigatory Powers Annual Report) 2020/21		✓							
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2020/21				✓					
Equality & Diversity Annual Report 2020/21 (*not needed as now reporting progress to Cabinet)				*					
Emergency Planning & Business Continuity Update				✓					
Treasury Management Strategy Refresh/Approval for next financial year							✓		
Assurance Framework & Internal Audit Planning Consultation							✓		
Information Governance Update									✓
Internal Audit Charter & Audit Plan for next financial year									✓
<b>QUARTERLY / HALF YEARLY REPORTS</b>									
Internal Audit - Quarterly Audit Plan Update		✓		✓			✓		✓
Risk Management – Corporate Risk Register Update		✓		✓			✓		✓
Forward Plan (refresh)		✓		✓		✓	✓		✓
Treasury Management Monitoring Report		✓		✓			✓		
Health & Safety and Fire Safety Update				✓					
<b>AD HOC / OTHER REPORTS</b>									
Annual evolution of Policies for 2022/23: - Whistleblowing - Anti-Fraud and Corruption - Declaration of Interests, Gifts & Hospitality - Regulation of Investigatory Powers								✓	
Financial Regulations - annual evolution for 2022/23.								✓	
Financial Statements 2020/21: Review of Significant Judgements and Sources of Estimation Uncertainty		✓							
Changes to Council Constitution		✓			✓	✓			
Process for the appointment of external auditors 2023/24 to 2027/28						✓			
<b>PRESENTATIONS</b> (rather than formal reports)									
Review of Parks governance arrangements (** formal report).	✓					✓ <sup>**</sup>			
Review of BH Live contractual and governance arrangements.			✓						
Tendering/use of consultants								✓	
<b>EXTERNAL AUDITS REPORTS</b>									
External Auditor – Audit Plan 2020/21 ( <i>2 Audit Plan 2021/22</i> )		✓							✓ <sub>2</sub>
External Auditor – Audit Findings Report 2020/21								✓	
External Auditor – Auditors Annual Report 2020/21								✓	
External Auditor – Audit Progress & Sector Update		✓		✓			✓		✓

External Auditor – Core Financial Systems IT Audit Report (additional report)				✓					
-------------------------------------------------------------------------------	--	--	--	---	--	--	--	--	--