

Notice of Audit and Governance Committee



Date: Thursday, 12 January 2023 at 6.00 pm

Venue: Committee Room, First Floor, BCP Civic Centre Annex, St Stephen's Rd, Bournemouth BH2 6LL

Membership:

Chairman:

Cllr J Beesley

Vice Chairman:

Cllr L Fear

Cllr M F Brooke
Cllr D Butt
Cllr M Cox

Cllr A Filer
Cllr M Howell
Cllr T Johnson

Cllr M Phipps

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=5008>

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

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

This notice and all the papers mentioned within it are available at democracy.bcpCouncil.gov.uk

GRAHAM FARRANT
CHIEF EXECUTIVE

4 January 2023



Available online and
on the Mod.gov app

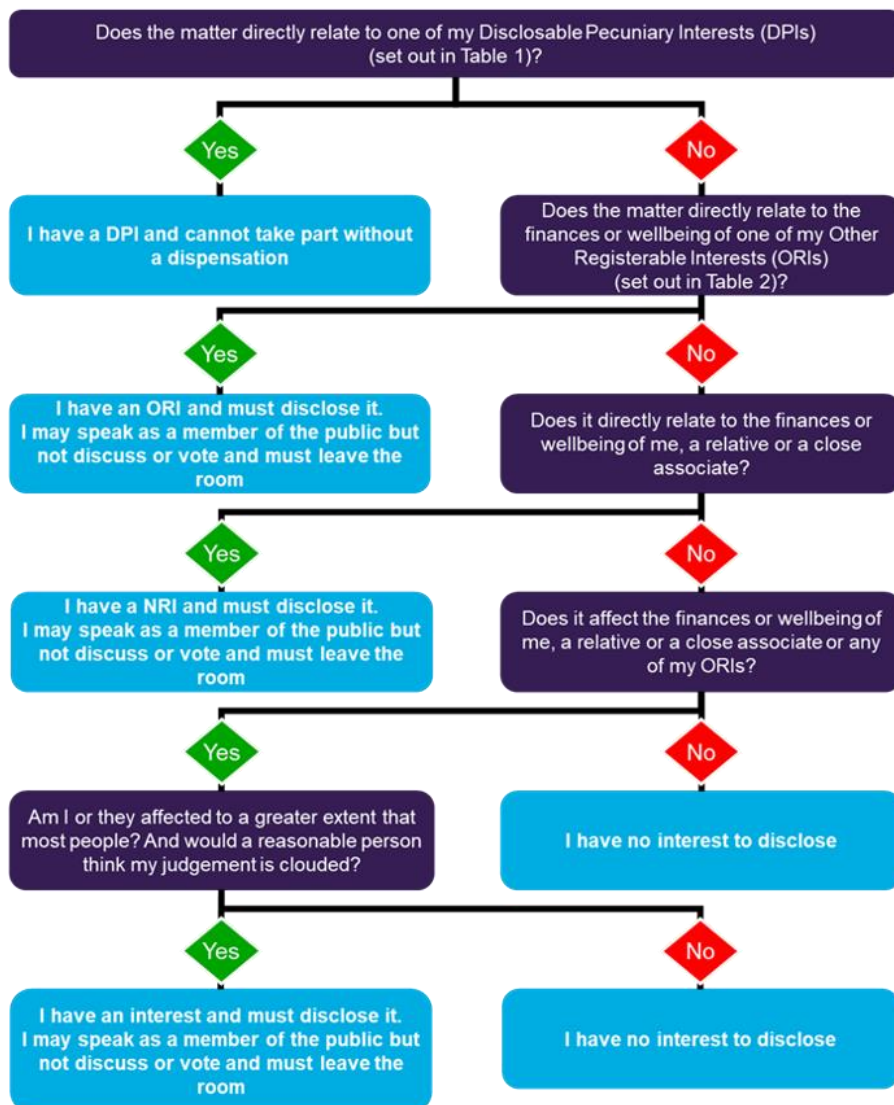


Maintaining and promoting high standards of conduct

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)

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**

To confirm as a correct record the minutes of the Meeting held on 01 December 2022.

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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/ieListMeetings.aspx?CommitteeID=151&info=1&bcr=1>

The deadline for the submission of public questions is 4 clear working days before the meeting.

The deadline for the submission of a statement is midday the working day before the meeting.

The deadline for the submission of a petition is 10 working days before the meeting.

6. **External Auditor – Audit Progress & Sector Update**

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.

11 - 30

The report includes an update on both their 2020/21 and 2021/22 audit

work. Key points of note are:

- Financial Statements Audit 2020/21 – the two issues (relating to infrastructure assets and work undertaken by the auditor of Dorset Pension Fund work) that were causing delay in completing the 2020/21 audit opinion continue to progress with the aspiration that the audit work will be completed by the end of January 2023.
- Value for Money 2020/21 – as previously reported, the Auditors Annual Report for 2020/21 was presented to a special meeting of the Audit & Governance Committee on 20 October 2022.
- Financial Statements Audit 2021/22 – planning and interim work was completed in November 2022. The 2021/22 post-statements audit work has been reluctantly paused due to the resignation of the current Audit Manager. It is not possible to provide an indicative target completion date until a permanent replacement is secured.
- Value for Money 2021/22 – as previously reported the auditors are proposing to delay the commencement of their review until early 2023 as the 2020/21 VFM Auditors Annual Report was only finalised in September 2022. The 2021/22 Auditor's Annual Report, which includes VFM, is expected to be published no later than July 2023.

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 2022 and Treasury Management Strategy 2023/24

31 - 96

The report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2022 to 31 December 2022. A surplus of £2m will be achieved due to the increase in interest rates. The Treasury Management Strategy 2023/24 is included as an appendix to the report. Key changes to the strategy have been set out in paragraphs 18-20.

8. Risk Management – Corporate Risk Register Update

97 - 134

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

- The reporting of the Register continues in the updated format for this quarter;
- One new risk has been added - CR8 - Inability to run an election/referendum;
- Risk CR17 – Risk to Reputation of Place & Council if summer arrangements are not managed was removed during the quarter;
- Material updates to the risks are summarised at sections 19-23.

9. Annual Governance Statement 2021/22 – Action Plan and update

135 - 144

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 identified in the 2021/22 AGS.

Progress against the agreed action plan is as follows:

Governance of Children's Social Services –The improvement journey of

Children's Social Services is monitored through various officer and Councillor forums, including the Improvement Board and Children's Overview and Scrutiny Committee, and externally through the Department for Education (DfE) Advisor and Ofsted.

Governance Arrangements with External Bodies

1. Parks, charities and trusts

A Parks Governance Review is currently being undertaken by a Council senior solicitor, this is expected to report and conclude by 31/3/23.

The specific partnership between the Council and the Parks Foundation has been comprehensively reviewed. External legal advice has been sought resulting in various partnership documentation being amended, such as the Memorandum of Understanding. Additionally, some previously undocumented processes, such as decision making processes on individual projects, have been drafted and now need formally approving and adopting.

2. Partnerships – draft documentation, including definitions, guidance, templates and registers have all been produced, with agreement, adoption and roll out by the action plan agreed 31/3/2023.

There was no agreed formal action plan in response to the 'Delay in the completion of the 2020/21 external audit' as the matters were outside the direct influence of BCP Council to resolve. Whilst the External Auditor has published the Annual Report for 2020/21, the formal sign off of the Statement of Accounts has not yet taken place as there remain issues associated with the accounting treatment of infrastructure (national issue) and the audit opinion of the Dorset Pension fund auditors.

The wording in the AGS has been slightly amended to take account of this latter pension fund issue.

The updated Financial Management Code self-assessment reported in July 2022 concluded that BCP Council was compliant with the Code. Some opportunities for further improvement were identified and actions are in progress and will be concluded at various points during 2023.

The AGS is required to cover the year ending 31st March 2022 but also "...to the date of the publication of the Statement of Accounts". As the publication of Statement of Accounts has been delayed, the report also considered whether any additional significant governance issues have arisen which require inclusion in the 2021/22 AGS.

Two issues have been considered and explanations are provided within the report which will mean the AGS 2021/22 will remain unchanged from when it was reported to this Committee on 28 July 2022:

- Public Inspection period feedback
- Financial sustainability

10. Assurance Framework & Internal Audit Planning Consultation 2023/24	145 - 154
<p>To aid compliance with the Public Sector Internal Audit Standards and to ensure early consultation with the Audit & Governance Committee, this report outlines the BCP Assurance Framework and the proposed approach for the 2023/24 Internal Audit Plan.</p> <p>The Assurance Framework has been updated in line with the best practice 'Three Line' model which explains how key organisational roles work together to facilitate, and provide assurance upon, strong governance and risk management. Sixteen key assurance functions have been identified (such as Risk Management and Information Governance). For each of these, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist. The Assurance Framework is also used to help develop the Internal Audit Plan.</p> <p>The proposed 2023/24 Internal Audit Plan approach shows the amount of resource to provide core audit work (including high risk, key assurance and key financial audits) and fraud work and subject to budget approval will remain materially the same as 2022/23. This resource is considered sufficient resource to be able to deliver the Chief Internal Auditor's Annual Opinion. There will be a minor decrease in overall level of resource, mainly due to the reduction in use of agency staff, and some minor variances in resource allocation, for example, to support the Council's equality work.</p>	
11. Internal Audit - Quarterly Audit Plan Update	155 - 162
<p>This report details progress made on delivery of the 2022/23 Audit Plan for the period October to December (inclusive) 2022. The report highlights that:</p> <ul style="list-style-type: none"> • Eleven audit assignments have been completed, ten 'Reasonable' audit opinions and one 'Partial' audit opinion; • Twenty two audit assignments are in progress; • Implementation of audit recommendations is satisfactory and none have required escalation to Audit & Governance Committee. <p>Through careful management of resource on the high risk areas in the Audit Plan the Chief Internal Auditor is still expecting to provide the annual overall opinion on the internal control environment.</p>	
12. Forward Plan - Refresh	163 - 166
<p>This report sets out the reports to be considered by the Audit & Governance Committee for the 2022/23 municipal year in order to enable it to fulfil its terms of reference.</p>	

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 2022 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Fear – Vice-Chairman

Present: Cllr D Butt, Cllr T Johnson and Cllr M Phipps

156. Apologies

Apologies for absence were received from Councillors M Brooke, M Cox and A Filer.

Councillor M Howell was present at the meeting on a virtual basis (without entitlement to vote).

157. Substitute Members

Formal notification had been received appointing Councillor M DePoidevin as substitute for Councillor M Brooke, Councillor D Brown as substitute for Councillor Cox and Councillor L Williams as substitute for Councillor A Filer.

158. Declarations of Interests

There were no declarations of interest.

159. Confirmation of Minutes

RESOLVED that the Minutes of the meeting of the Committee on 27 October 2022 be confirmed as a correct record.

160. Public Issues

The Committee was advised of the receipt of one public statement.

Public Statement from Mr Alexander McKinstry

The draft minutes from 27 October may have been amended by now, but contained one potentially misleading paragraph: the 'additional note', p. 9. There WAS talk, in the meeting, of taking a public issue and referring it to the Constitution Review Working Group, but that related only to what has since been transcribed as 'Public Statement 3', re members' rights to information under the Constitution. Most other public statements that night concerned PUBLIC PARTICIPATION AT MEETINGS, and there was no pledge to refer any of *those* matters back to any working group whatsoever. (Verifiable from livestream, 17.15 onwards: https://youtu.be/2_P4ieFXOnU).

The Chairman of the Committee advised that at the meeting of the Committee on 27 October 2022 the Chairman of the Constitution Review Working Group undertook to give consideration at the Working Group to issues raised relating to the Constitution. This was the proper way in which to bring forward these types of matters for careful consideration and review and that the Working Group could then make recommendations as appropriate to the Audit and Governance Committee who would then, in turn, and if necessary, make recommendations to full Council.

161. Corporate Risk - Transformation

The Committee received the first of two presentations providing Members with the opportunity to review in depth the governance elements of two key subjects from the Council's high level Corporate Risk Register. The Chairman explained that points arising from the presentations or in the course of subsequent questions and discussion would be fed back through the Committee's regular scheduled process for Corporate Risk management and review.

The first presentation related to Corporate Risk 13 (That the risks associated with the Council's Transformation agenda, of BCP Council services and functions, are being suitably managed). Copies of the presentation slides would be provided for Members after the meeting.

The presentation from the Chief Executive and from the Director of IT and Programmes set out and explained how, against the background of the Local Government Review and the merger of the three Councils, progress was now being made on achieving the opportunities for transformation within the Organisation.

Members were reminded of the agreed design principles and the programme for delivery through the Target Operation Model based upon the three major themes of Customer Platform, Common Data and the Enterprise Resource Platform. The ultimate aim was for BCP Council to become the leading digital and insight driven Local Authority in the UK with service delivery connected through citizen, business and insight.

It was reported that financial savings had already been achieved in addition to the savings from the Council mergers. Progress and achievements already made were set out and listed within the presentation including relevant examples and within the context of addressing existing operational limitations. The expectation was for a huge shift forward in available data and workforce information across the Council.

The Committee was assured that management of risk at both programme and project specific levels was a key part of the implementation process. The financial elements of the programme were also regularly reported through the Cabinet with the continuing expectation upon Corporate Management to drive through the identified financial cost savings.

Members raised a series of questions arising from the presentation. Members were assured that the sale of assets as part of the transformation

programme would be subject to agreement by Councillors. Loss of income was factored into the Medium Term Financial Plan and further information about how this was shown within the Plan would be provided. It was also confirmed that, although assets would potentially be sold, the borrowing costs would be retained albeit not identified specifically against specific assets. Cabinet reports would include all relevant facts and assumptions. The implications in terms of IT licensing costs were included and there was an undertaking to provide the relevant tabulation from the Cabinet report.

In response to further questions, it was explained that the transformation design programme extended only to core services and not to individual service system upgrades.

The Chief Executive agreed to suggestions that a self-contained financial statement for the transformation programme, to include the costs and funding within one informative document, would be useful and undertook to consider how best to present this to all Councillors.

The Chairman of the Committee also requested more regular financial reporting through to the Audit and Governance Committee and, once again, the Chief Executive undertook to discuss with the Chairman how best that could be delivered. It was also agreed that the further reports back to the Committee should include information and reasons for the length of time already elapsed within the design stage of the programme. Any comparisons with what was happening in other Local Authorities was identified as a possible source of useful learning although the Chief Executive informed the Committee that there were no other Councils that were making so much change at an equivalent pace to BCP Council.

The Chairman thanked the Officers for their presentation and repeated that any outcomes from the discussions relating to Corporate Risk 13 would be fed back through to the Committee's regular scheduled process for Corporate Risk management and review.

162. Corporate Risk - Climate Change

The Committee received a second presentation providing Members with the opportunity to review in depth the governance elements of a key subject from the Council's high level Corporate Risk Register. The Chairman explained that points arising from the presentations or in the course of subsequent questions and discussion would be fed back through to the Committee's regular scheduled process for Corporate Risk management and review.

The second presentation related to Corporate Risk 20 (That the risks associated with the Council's declaration of a climate emergency and suitable mitigation activities are being suitably managed). The presentation from the Head of Climate Action described the Climate Action programme, its links with the BCP Council Corporate Strategy and progress made against the development programme and timeline. Copies of the presentation slides would be provided for Members after the meeting and

Members would have the opportunity to absorb and consider the detailed information contained within the slides and add any further comments as part of the scheduled Corporate Risk review.

The Chairman thanked the Officers for their presentation. The Committee was also informed that a further paper was being prepared for all Councillors addressing climate change programme progress more generally and beyond the governance elements being discussed by the Audit and Governance Committee. This would include addressing important wider issues such as coastal erosion and the use of 'offsetting'.

The Council's Risk and Insurance Manager was present at the meeting listening to the presentations and debate and reported that all the Corporate Risks was currently under review in preparation for the next scheduled report to the Audit and Governance Committee in January 2023. The report would include reference to the Audit and Governance Committee's consideration of the two specific risks and incorporate comments where appropriate.

The meeting ended at 8.10 pm

CHAIRMAN

AUDIT AND GOVERNANCE COMMITTEE

Report subject	External Auditor – Audit Progress & Sector Update
Meeting date	12 January 2023
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 & Governance Committee on their progress to date in delivering their responsibilities.</p> <p>The report includes an update on both their 2020/21 and 2021/22 audit work. Key points of note are:</p> <ul style="list-style-type: none"> • Financial Statements Audit 2020/21 – the two issues (relating to infrastructure assets and work undertaken by the auditor of Dorset Pension Fund work) that were causing delay in completing the 2020/21 audit opinion continue to progress with the aspiration that the audit work will be completed by the end of January 2023. • Value for Money 2020/21 – as previously reported, the Auditors Annual Report for 2020/21 was presented to a special meeting of the Audit & Governance Committee on 20 October 2022. • Financial Statements Audit 2021/22 – planning and interim work was completed in November 2022. The 2021/22 post-statements audit work has been reluctantly paused due to the resignation of the current Audit Manager. It is not possible to provide an indicative target completion date until a permanent replacement is secured. • Value for Money 2021/22 – as previously reported the auditors are proposing to delay the commencement of their review until early 2023 as the 2020/21 VFM Auditors Annual Report was only finalised in September 2022. The 2021/22 Auditor's Annual Report, which includes VFM, is expected to be published no later than July 2023. <p>The report also includes a summary of emerging national issues and developments that may be relevant to the Council.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.</p>

Reason for recommendations	To update Audit & Governance Committee on the External Auditor's progress to date in delivering their responsibilities. To advise Audit & Governance Committee of emerging national issues and developments that maybe relevant to the Council.
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 fourth 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 2023

3. The attached report (Appendix A) details progress made by Grant Thornton in delivering their responsibilities as external auditors.
4. The report includes an update on the following areas for their 2020/21 work:
 - Financial Statements Audit 2020/21 – the two issues (relating to infrastructure assets and work undertaken by the auditor of Dorset Pension Fund work) that were causing delay in completing the 2020/21 audit opinion continue to progress with the aspiration that the audit work will be completed by the end of January 2023.
 - Value for Money 2020/21 – as previously reported, the Auditors Annual Report for 2020/21 was presented to a special meeting of the Audit & Governance Committee on 20 October 2022.
 - Other Areas 2020/21 - Certification of claims and returns work has been completed as previously reported. For the whole of government accounts work a return is required to be certified and will be completed once the audit opinion has been issued. Meetings & events details are also provided.

- Audit Fees 2020/21 – proposed variations to the Scale Fee set by Public Sector Audit Appointments have been discussed with the s151 Officer and will be reviewed on completion of 2020/21 audit work.
5. The report also includes an update on the following areas for their 2021/22 audit work:
- Financial Statements Audit 2021/22 – planning and interim work was completed in November 2022. The 2021/22 post-statements audit work has been reluctantly paused due to the resignation of the current Audit Manager. It is not possible to provide an indicative target completion date until a permanent replacement is secured.
 - Objection to the accounts 2021/22 – further action and responses are being considered.
 - Value for Money 2021/22 – as previously reported the auditors are proposing to delay the commencement of their review until early 2023 as the 2020/21 VFM Auditors Annual Report was only finalised in September 2022. The 2021/22 Auditor's Annual Report, which includes VFM, is expected to be published no later than July 2023.
 - Other Areas 2021/22 – Certification of claims and returns work is ongoing.
6. Planned dates and the status of each area of work are included for both 2020/21 and 2021/22 under the 'Audit Deliverables' section of the report.

Sector Update

7. 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:
- Report On The Quality Of Local Audit - Financial Reporting Council
 - Local Government External Audit Procurement - Public Sector Audit Appointments
 - Nearly 60 councils at risk of 'running out of money' next year - Grant Thornton
 - Audit Committees: Practical Guidance For Local Authorities And Police - CIPFA

Options Appraisal

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

Summary of financial implications

9. The proposed 2021/22 BCP Council Audit fee is £213,875.

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

13. There are public health implications from this report.

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

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

BCP Council Audit Progress Report and Sector Update

Year ending 31 March 2022

3 January 2023

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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.

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Introduction

Your key Grant Thornton team members are:



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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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 2023

2020/21 Financial Statements Audit

At the October meeting of the Audit and Governance Committee we provided an update on progress in completing the 2020/21 BCP opinion audit.

The Committee were advised that two main issues were continuing to cause delay in sign off, specifically:

- Infrastructure assets
- Pension Liability IAS 19 letter of assurance from the Dorset Pension Fund auditor.

Since October's Committee the infrastructure issue has evolved with CIPFA issuing a Statutory Instrument at the end of November which, in effect, proposes a Statutory Override that removes the requirement for the disclosure of gross cost and gross accumulated depreciation for infrastructure assets. This Statutory Override came into effect on 25 December 2022 and takes infrastructure outside of the scope of audit by removing the requirement to comply with accounting standards in this area.

This now allows us to proceed to the final stages of this work which we expect to complete by the end of January 2023 and should avoid the need for a qualification in this area.

In respect of the pension liability, following the receipt of the letter of assurance from the Pension Fund auditor in October 2022 we have gone back to the Council in respect of an error they identified. They reported to us an error in the valuation of investments held by the pension fund that may impact on the net liability disclosed in BCP's accounts. Finance officers are seeking to engage with both Dorset Pension Fund and their actuaries to quantify the impact of this error prior to reconsidering whether the BCP Council accounts need restating.

We continue to work with the Council to bring these and the other concluding areas to a swift conclusion with the aspiration that this is completed by the end of January 2023.

2020/21 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 was 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.

Our work Auditor's Annual Report for 2020/21 was presented to a special meeting of the Audit and Governance Committee on 20 October 2022.

Progress at January 2023 (cont.)

2020/21 - 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 extended the deadline for reporting the findings of this work to 28 February 2022. We completed our work and reported to DWP on 20 January 2022.

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 began in October, and was completed on 15 December 2021.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Communities and Housing ("DLUCH"). The deadline for completion and reporting of the certification work for the 2020/21 return was 4 February 2022. We issued our final report to DLUCH on 2 February 2022.

Meetings

We met with Finance Officers regularly as part of our monthly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Other areas

Whole of government accounts

The Council is required to complete a return to the Department for Levelling Up, Communities and Housing ("DLUCH"), which we are required to certify. The Group Audit Instructions to auditors have now been issued and we will complete this work once the audit opinion has been issued.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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

Progress at January 2023 (cont.)

2020/21 Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth 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 the period 2018/19 to 2021/22 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 and Governance Committee. We will review the final fees for the 2020/21 audit on completion of our work.

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

Progress at January 2023

2021/22 Financial Statements Audit

Our planning and interim work for 2021/22 was completed in November 2022 and our Audit Plan was included on the agenda of the November 2022 meeting.

The Accounts and Audit (Amendment) Regulations 2022 were laid in parliament on 30 June 2022 and are expected to come into force on 22 July 2022. The amendment moves the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts and will set the publication deadline at 30 September for subsequent years up to 2027/28.

PSAA reported that only 12% of 2021/22 audits were concluded by the end of November 2022 target completion date.

21 We commenced our post-statements audit in November 2022. Progress has been steady recognising the complexity of the Council's statements and the finance team facing many competing priorities. We note a number of issues identified as part of the 2020/21 audit have also arisen in our 2021/22 work to date.

In December 2022 the current Audit Manager resigned and is leaving Grant Thornton in January 2023 to join another public sector audit firm. At present we have no immediate solution to replacing the Manager and have reluctantly decided to pause the 2021/22 post-statements audit until a replacement is secured. This is driven by the need to ensure quality is not compromised. All our other managers have full portfolios and redeployment would adversely impact on other audits currently underway. Until a permanent replacement is found we are not in a position to continue with the 2021/22 post-statements audit or provide an indicative target completion date.

Objection to the accounts

We have previously referenced the communications from members of the public in respect of the 2021/22 accounts. Since our last update we have received further communications in respect of the use of public funds to support the Bayside Restaurant as well as the appropriateness of some of the awards of the Bounce Back Challenge Fund. In respect of the Bayside Restaurant we have responded indicating we will treat the information provided as a 'matter brought to our attention' and consider whether any further action may be appropriate in respect of our responsibilities under the Code through the completion of our 2022/23 audit. We are currently considering our response to the additional communication in respect of the Bounce Back Challenge Fund.

Value for Money

Our planning for the 2021/22 VFM work is underway.

Given that we finalised our 2020/21 VFM Auditors Annual Report in September 2022 we are proposing to delay the commencement of our 2021/22 VFM review until early 2023.

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.

As a result, we now expect to publish our 2021/22 Auditor's Annual Report, including our commentary on arrangements to secure value for money no later than July 2023.

We wrote to the Chairman of the Audit and Governance Committee on 28 July 2022 to this effect.

We have set out the results of our initial Value for money risk assessment in our Audit Plan finalised in October 2022.

Progress at January 2023 (cont.)

2021/22 - 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 2021/22 claim began in August and is complete pending Manager and Engagement Lead review. The deadline for reporting the findings of this work is 31 January 2023.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The deadline for the completion of this work is 30 November 2022.

Our central team are currently undertaking this work and have sent the latest set of queries to finance officers on 3 January 2023.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Communities and Housing ("DLUCH"). The 2021/22 procedures have not yet been issued.

Meetings

We met with Finance Officers regularly as part of our monthly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Audit Deliverables

23

2020/21 Deliverables	Planned Date	Status
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 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2021	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.	31 January 2023 (revised target)	
Response to the objection Our work in this area is complete and our response has been shared with both the objector and the Council.	30 September 2022 (revised target)	Complete
Auditor's Report This includes the opinion on your financial statements.	31 January 2023 (revised target)	
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	31 October 2022 (revised target)	Complete

Audit Deliverables

2020/21 Audit-related Deliverables

Teachers Pensions Scheme – certification

Planned Date

Status

30 November 2021

Complete

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

Housing Benefit Subsidy – certification

31 January 2022

Complete

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

Pooling of housing capital receipts - certification

4 February 2022

Complete

This is the report we submit to the Department for Levelling Up, Communities and Housing (“DLUCH”). based upon the mandated agreed upon procedures we are required to perform.

24

2021/22 Deliverables

Audit Plan

Planned Date

Status

October 2022

Complete

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 2021/22 financial statements and the Auditor’s Annual Report on the Authority’s Value for Money arrangements.

Interim Audit Findings

October 2022

Complete

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

Audit Findings Report

TBC

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

Auditors Report

TBC

This includes the opinion on your financial statements.

Auditor’s Annual Report

TBC

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

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

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

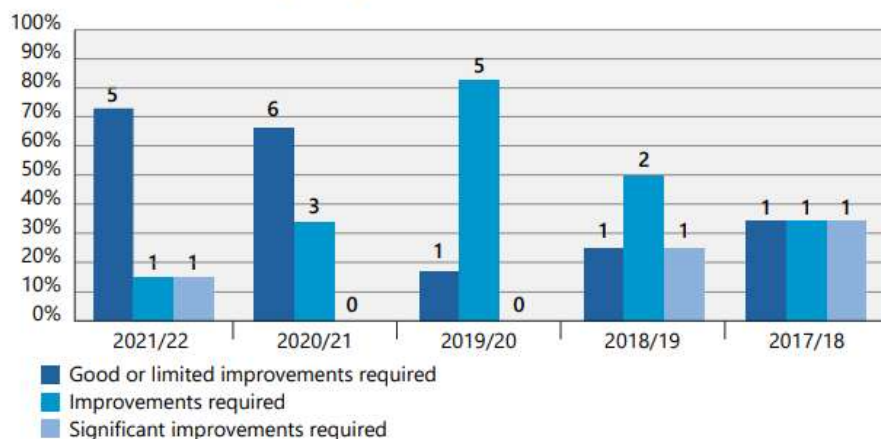
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

26 This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

29 The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

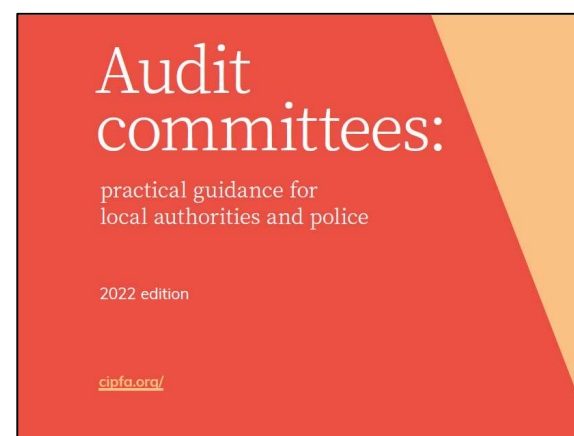
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)







Audit & Governance Committee



Report Subject	Treasury Management Monitoring report for the period April to December 2022 and Treasury Management Strategy 2023/24
Meeting date	12 January 2023
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2022 to 31 December 2022. A surplus of £2m will be achieved due to the increase in interest rates.</p> <p>The Treasury Management Strategy 2023/24 is included as an appendix to this report. Key changes to the strategy have been set out in paragraphs 18-20.</p>
Recommendations	<p>It is recommended that Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1) note the reported activity of the Treasury Management function for the period ending 31 December 2022 2) Approve the Treasury Management Strategy 2023/24 & Treasury Management Policy, Practices and Schedules included in Appendix 1 and 2
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	<p>Matthew Filmer, Assistant Chief Financial Officer</p> <p>☎ 01202 128503</p> <p>✉ matthew.filmer@bcpcouncil.gov.uk</p>

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 (2022).
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) in December 2022 raised interest rates once again to 3.5% from 3% making the ninth time in a row it has hiked interest rates. The Bank's Monetary Policy Committee (MPC) voted 6-2-1 in favour of the increase to 0.5%, with 2 voting for no change and 1 voting for a 0.75% hike.
6. The BoE policymakers are trying to contain inflation amid fears of looming economic recession. The MPC said there were considerable uncertainties around the outlook of the economy in the short to medium term.
7. The Bank of England has been attempting to calm rising prices since the end of last year. Inflation - the rate at which prices rise - has been increasing at its fastest rate for 40 years as the cost of food and energy soars. Raising interest rates should, in theory, encourage people to borrow and spend less and save more. This should help bring down the rate of inflation.
8. At 10.7%, the inflation rate remains more than five times higher than the Bank's 2% target, but it eased slightly in November. Bank of England Governor Andrew Bailey said it was the "first glimmer" that soaring price rises were starting to come down but there was still "a long way to go". Announcing its latest rise, the Bank indicated it was likely to continue to increase interest rates next year.

Interest Rates

9. Table 1 overleaf which is produced by the authority's treasury consultants Link Asset Services.

Table 1: Interest rate projection (Link Asset Services)

Bank Rate	Interest Rate Forecasts							
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Link	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%	3.25%
Cap Econ	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%
5Y PWLB RATE								
Link	4.20%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%
Cap Econ	4.00%	3.80%	3.70%	3.50%	3.50%	3.40%	3.30%	3.30%
10Y PWLB RATE								
Link	4.40%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%	3.60%
Cap Econ	4.00%	3.80%	3.70%	3.60%	3.50%	3.40%	3.40%	3.30%
25Y PWLB RATE								
Link	4.60%	4.60%	4.50%	4.40%	4.20%	4.10%	4.00%	3.90%
Cap Econ	4.40%	4.20%	4.00%	3.80%	3.80%	3.70%	3.60%	3.60%
50Y PWLB RATE								
Link	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%
Cap Econ	4.10%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%	3.60%

Treasury Management Performance 2022/23

10. Table 2 below shows the overall treasury management position for 2022/23. The current forecast is an underspend of £2m on interest receivable budgets reflecting the increase in interest rates and still being in receipt of a number of significant grants from central government.

Table 2: Treasury Management Performance 2022/23

	Forecast 2022/23 £'000	Budget 2022/23 £'000	Variance 2022/23 £'000
<u>Expenditure</u>			
Interest Paid on Borrowings	3,100	3,199	(99)
<u>Income</u>			
Investment Interest Received	(1,935)	(45)	(1,890)
Total	1,165	3,154	(1,989)

Borrowing

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

Table 3: Council Borrowings as at 31 December 2022

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2022 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
3,673	0.00%	64	01-Apr-2023	64	-	Salix
5,000	2.66%	417	22-Aug-2023	-	417	PWLB
8,673		481		64	417	
Long Term Borrowing						
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
188,896		188,896		62,000	126,896	
22,625	2.26% + RPI Annually	15,710	17-Oct-2039	15,710	-	Prudential Assurance Co
49,000	2.83%	48,231	24-May-2068	48,231	-	Phoenix Life Limited
269,194		253,318		126,005	127,313	

Investments

12. A full list of investments held by the authority as at 31 December 2022 is shown in Table 4 below.

Table 4: Investment Summary as at 31 December 2022

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Standard Chartered Bank	05-Jan-2023	20,000,000	2.08%
Landesbank Hessen Thuringen	05-Jan-2023	15,000,000	2.28%
Landesbank Hessen Thuringen	06-Jan-2023	7,250,000	3.47%
West Yorkshire Combined Authority	09-Jan-2023	10,000,000	3.40%
Goldman Sachs International Bank	16-Feb-2023	12,000,000	2.58%
Sub Total		64,250,000	
<u>Call Account</u>			
Aberdeen Standard Liquidity Fund	instant access	8,575,000	3.28%
Total		72,825,000	

13. The Treasury Management function average returns of 1.56% for the period 1 April 2022 to 31 December 2022 for its combined investment compared to the average 7-day benchmark rate of (1.63%).

Prudential Indicators

14. The Treasury Management Prudential Code Indicators were set as part of the 2022/23 Treasury Management Strategy as agreed with Council in February 2022. It can be confirmed that all indicators have been complied with during the period 1 April 2022 to 31 December 2022.

Compliance with Policy

15. 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 August 2022 rated the Treasury Management function as "reasonable" assurance which means that there is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
16. 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 2022 to 31 December 2022.

Treasury Management Strategy 2023/24

17. 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.

Changes to the Treasury Management Strategy and Policies 2023/24

18. CIPFA published updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA stated that after a soft introduction of the Codes, Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24.
19. The revised Treasury Management Code requires an authority to implement the following: -
 - a) Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
 - b) Amendment to the knowledge and skills register for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
 - c) Reporting to members is to be done quarterly. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;
 - d) Environmental, social and governance (ESG) issues to be addressed within an authority's treasury management policies and practices (TMP1).
20. The main requirements of the Prudential Code relating to service and commercial investments are: -
 - a) The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

- b) An authority must not borrow to invest for the primary purpose of commercial return;
- c) It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. Appendix 3 to this report sets out all the approved and known commitments to be funded from borrowing;
- d) An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;

Summary of Financial/Resource Implications

21. Financial implications are as outlined within the report.

Summary of Legal Implications

22. There are no known legal implications.

Summary of Equalities and Diversity Impact

23. 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

24. 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

25. 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

26. 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

27. 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

28. 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

29. 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

30. Treasury Management report to Full Council on 22 February 2022.
<https://democracy.bcpccouncil.gov.uk/documents/g4812/Public%20reports%20pack%2022nd-Feb-2022%2019.00%20Council.pdf?T=10>

Appendices

Appendix 1 - Treasury Management Strategy 2023/24

Appendix 2 – Treasury Management Policy, Practices and Schedules

Appendix 3 – Approved Capital schemes and known commitments funded from borrowing

Bournemouth, Christchurch and Poole Council (BCP)

Treasury Management Strategy Statement 2023/24

Introduction

Background

- 1 The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this 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 Authority'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 Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it 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, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.
- 3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 4 CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, including 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."
- 5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

Reporting Requirements

Capital Strategy

- 6 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare 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
- 7 The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.
 - 8 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 Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
 - a) **Prudential and treasury indicators and treasury strategy** (this report) -
The first, and most important report is forward looking and covers: -
 - the capital plans, (including prudential indicators)
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
 - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters on how investments are to be managed)
 - b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.
 - c) **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

- 10 The above reports are required to be adequately scrutinised before being recommended to Full Council. This role is undertaken by the Audit and Governance Committee.
- 11 **Quarterly reports** – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

Treasury Management Strategy for 2023/24

- 12 The strategy for 2023/24 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.

- 13 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

- 14 The CIPFA Treasury Management 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.
- 15 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.
- 16 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 17 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
- Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and council members.
 - Require treasury management officers and council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and council members, encouraging

them to highlight training needs on an ongoing basis.

- 18 In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.
- 19 The following training has been undertaken by members on the 16th June 2022 and further training will be arranged as required.
- 20 The training needs of treasury management officers are periodically reviewed.
- 21 A formal record of the training received by officers central to the Treasury function will be maintained by the Finance Manager - Technical. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Finance Manager - Technical.

Treasury management consultants

- 22 The Councils Treasury Management advisors are Link Asset Services.
- 23 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.
- 24 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The Capital Prudential Indicators 2023/24 – 2025/26

- 25 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure and Financing

- 26 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 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund	78,539	137,699	172,474	56,491	31,236
HRA	38,508	37,072	68,997	43,574	18,520
Total	117,047	174,771	241,471	100,065	49,756

- 27 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 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund Total	78,539	137,699	172,474	56,491	31,236
Financed by:					
Capital receipts	-	-	-	-	-
Capital grants & Contributions	46,072	84,967	49,488	19,569	16,881
Revenue Finance	903	2,406	2,025	1,318	518
Prudential Borrowing (inc HRA Transfers)	31,564	50,326	120,961	35,604	13,837
Total financing for the year	78,539	137,699	172,474	56,491	31,236

HRA Capital Expenditure

Capital expenditure	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
HRA Total	38,508	37,072	68,997	43,574	18,520
Financed by:					
Capital receipts	3,484	-	2,445	4,000	478
Capital grants & Contributions	3,886	6,203	20,524	3,867	905
Revenue Finance	12,746	-	-	-	-
Major Repairs Allowance	18,392	18,808	14,386	14,955	14,550
External Borrowing	-	12,061	31,642	20,752	2,587
Total financing for the year	38,508	37,072	68,997	43,574	18,520

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

- 28 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 through a revenue or capital resource, will increase the CFR.
- 29 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
- 30 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.
- 31 The Council is asked to approve the CFR projections overleaf:

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Capital Financing Requirement					
CFR – General Fund	319,452	353,368	455,391	471,643	466,128
CFR – HRA	137,208	149,269	180,910	201,662	204,249
Total CFR	456,660	502,637	636,301	673,305	670,377
Movement in CFR	19,969	45,977	133,664	37,004	(2,928)
Movement in CFR represented by					
Net movement in borrowing for the year (above)	31,564	62,387	152,603	56,356	16,424
Less MRP/VRP and other financing movements	(11,595)	(16,410)	(18,938)	(19,352)	(19,352)
Movement in CFR	19,969	45,977	133,664	37,004	(2,928)

- 32 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.

Liability Benchmark

- 33 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.
- 34 There are four components to the LB: -
- Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
 - Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
 - Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
 - Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.
- 35 Appendix 4 to this strategy illustrates the graphical estimate of the liability benchmark for the general fund and HRA separately. It confirms both funds have net loan requirement supported by the internal borrowing capacity of the authority. This benchmark will continually be updated and referred to as new borrowing is considered in the medium term.

Core Funds and Expected Investment Balances

- 36 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Fund balances / reserves	148,263	145,263	145,763	143,263	151,263
Capital receipts	14,640	14,640	14,640	14,640	14,640
Provisions	30,020	30,020	30,020	30,020	30,020
Other	1,592	1,592	1,592	1,592	1,592
Total core funds	194,515	191,515	192,015	189,515	197,515
Working Capital*	(170,778)	(165,778)	(171,778)	(175,778)	(170,978)
Under/over borrowing	211,698	210,698	206,698	211,698	211,698
Expected Internal Investments	40,920	44,920	34,920	35,920	40,720

*Working capital balances shown are estimated year-end; these may be higher mid-year

Minimum Revenue Provision (MRP) policy statement

- 37 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).
- 38 The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.
- 39 The MRP policy statement requires full council approval in advance of each financial year. The Authority is recommended to approve the following MRP Statement:
- 40 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:
- 4% reducing balance (CFR method) – MRP will be calculated as 4% of the opening GF CFR balance

From 1 April 2008 for all unsupported borrowing the MRP policy will be either:

- **Asset life method (straight line)** – MRP will be based on the estimated life of the assets;
 - **Asset life method (annuity)** – MRP will be based on the estimated life of the assets;
- 41 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.

- 42 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.
- 43 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. The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.
- 44 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. Repayments included in annual PFI or finance leases are applied as MRP.
- 45 MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Cumulative VRP overpayments made to date are £0m.

Borrowing

- 46 The capital expenditure plans set out earlier provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. 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

- 47 The overall Treasury Management portfolio as at 31 March 2022 and for the

position as at 31 December 2022 are shown below for both borrowing and investments.

	Actual 31/03/2022 £'000	Actual 31/03/2022 %	Current 31/12/2022 £'000	Current 31/12/2022 %
Treasury investments				
Money Market Funds	0	0%	0	0%
Bank Deposits	87,150	58%	54,250	74%
Local Authorities	10,000	7%	10,000	14%
DMO	0	0%	0	0%
Call Account	52,800	35%	8,575	12%
Total Treasury Investments	149,950	100%	72,825	100%
Treasury External Borrowing				
PWLB	191,521	75%	189,313	75%
Local Authorities	0	0%	0	0%
Private Sector	65,036	25%	63,941	25%
Salix	255	0%	64	0%
Total External Borrowing	256,812	100%	253,318	100%
Net treasury investment / (borrowing)	(106,862)		(180,493)	

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

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
External Debt					
Treasury Debt at 1 April	256,812	256,812	256,812	266,812	316,812
PFI and Finance Lease Liability	6,711	6,211	5,711	5,211	4,711
Expected change in Debt	0	0	10,000	50,000	50,000
Actual gross debt at 31 March	263,523	263,023	272,523	322,023	371,523
The Capital Financing Requirement	456,660	502,637	636,301	673,305	670,377
Under / (over) borrowing	193,137	239,614	363,778	351,282	298,854

- 49 Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority 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 2023/24 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 or speculative purposes.
- 50 The S151 officer reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

- 51 **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.
- 52 **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 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Operational boundary	797	855	855	855	855
Authorised limit	847	905	905	905	905

Prospects for interest rates

- 53 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 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

- 54 Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.
- 55 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 56 The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.
- 57 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption

to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

- 58 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- 59 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- 60 Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).
- 61 We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.
- 62 Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.
- 63 Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

- 64 As there are so many variables at this time, caution must be exercised in respect

of all interest rate forecasts.

- 65 Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Borrowing strategy

- 66 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 medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.
- 67 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.
- 68 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
 - if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 69 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

- 70 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.
- 71 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

- 72 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.

- 73 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

On Balance Sheet	Fixed	Variable
PWLB	●	●
Community municipal bonds	●	●
UK Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
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	●	●

Annual Investment Strategy

Investment Policy

- 74 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).
- 75 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 2021 (“the Code”)
 - CIPFA Treasury Management Guidance Notes 2021

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

- 76 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst

investment rates remain elevated, as well as wider range fund options.

- 77 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
- b) Other information: 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 achieve this consideration the Authority 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.
- c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- d) This Authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- e) All investments will be denominated in sterling.
- f) As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 until 31.3.25)

- 78 However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

- 79 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.
- 80 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.
- 81 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.
- 82 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

- 83 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):

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

- 84 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

- 85 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).
- 86 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
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

87 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

88 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

89 Bank Rate is forecast to increase from the current 3.5% in Q2 2023.

90 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):

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

Investment treasury limit

91 The maximum period for investments will be 5 years.

Ethical Investing

92 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

93 The Treasury Management Policy, Practices and Schedules will be presented alongside this 2023/24 update of the TM Strategy.

Appendices

Appendix 1 - Economic Background and interest rate forecasts

Appendix 2 - Approved Countries for investments

Appendix 3 – The Treasury Management role of the S151 Officer

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

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

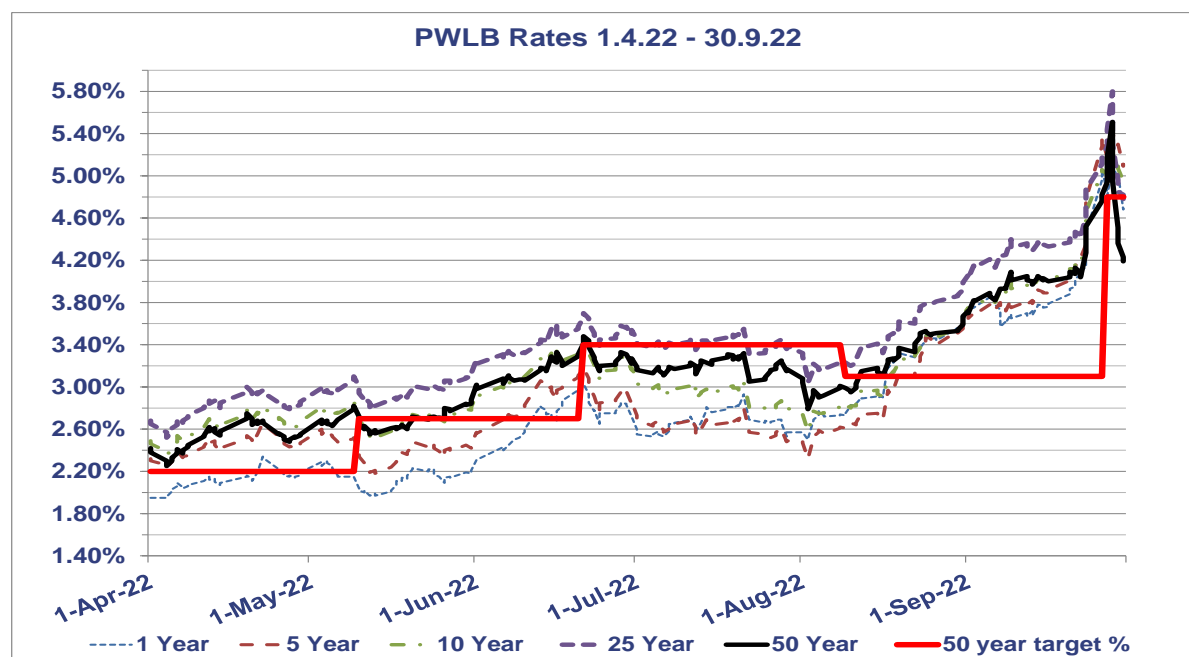
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate

set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

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

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that

the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 2: Approved countries for investments

AA-

- United Kingdom
- Belgium

AA

- France

AA+

- Canada
- Finland
- U.S.A.

AAA

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

Appendix 3: The Treasury Management role of the section 151 officer

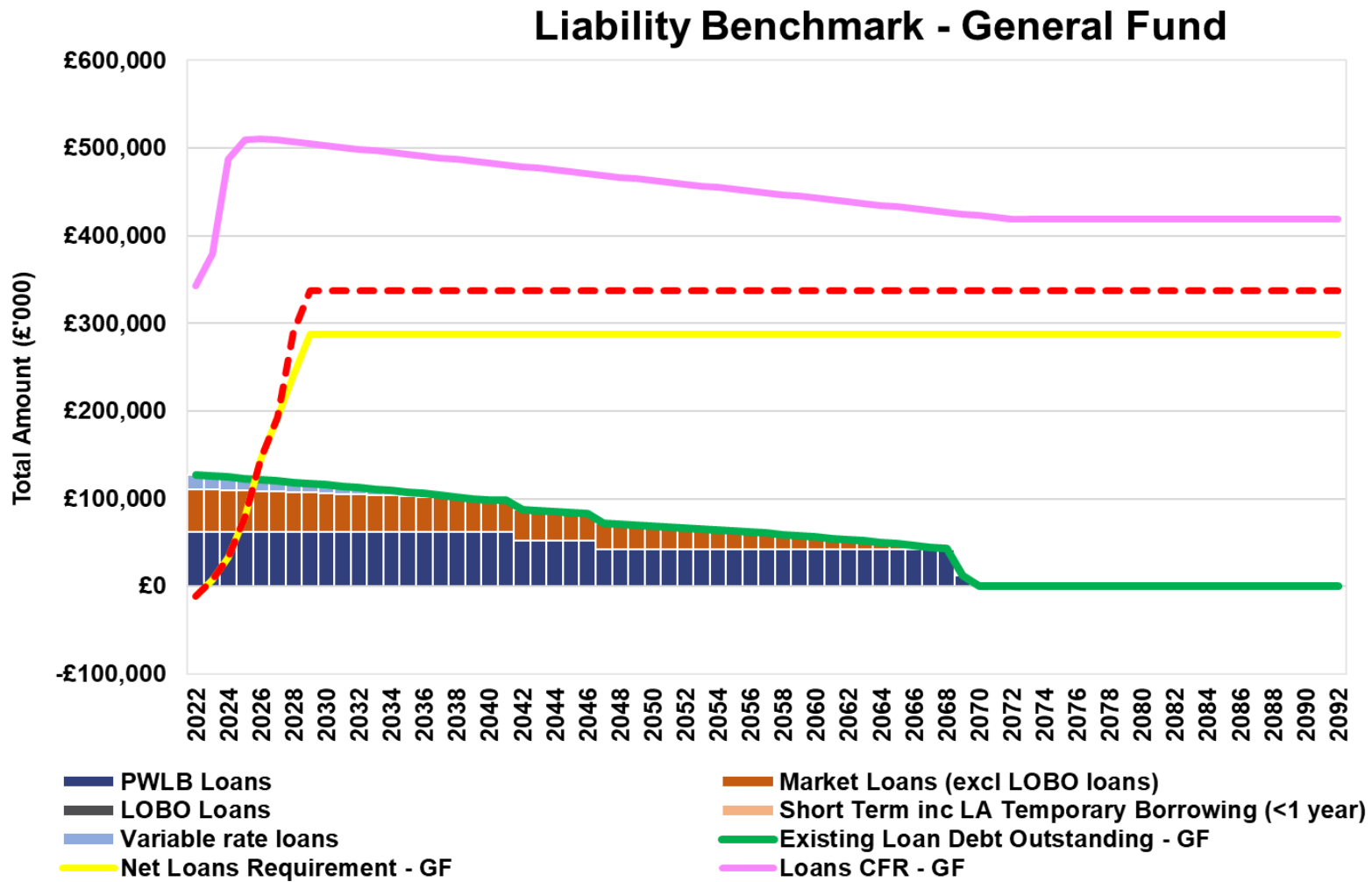
The S151 (responsible) officer

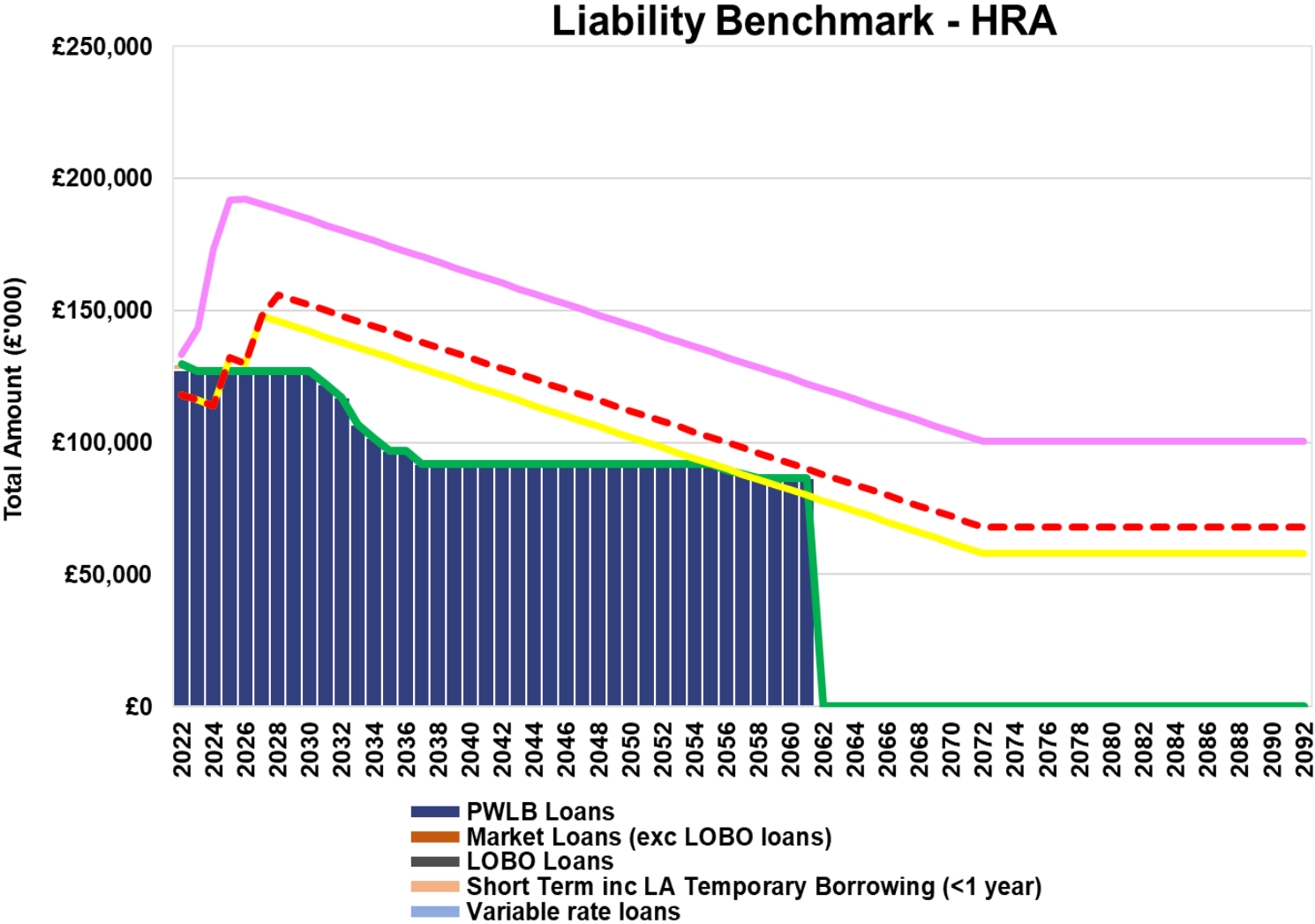
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (say 20+ years – *to be determined in accordance with local priorities.*)
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:-
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Appendix 4 – Liability Benchmark – General Fund

£9





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
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.

Policy on environmental, social and governance (ESG) considerations

- 50 The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.
- 51 ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.
- 52 The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service organisations, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their

organisation's own relevant policies, such as environmental and climate change policies.

- 53 CIPFA does not expect that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

TMP2 Best Value and Performance Measurement

- 54 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.
- 55 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

- 56 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

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

Banking services

- 58 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

- 59 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

- 60 The Council may appoint professional treasury management advisers as and when it is deemed necessary to do so. The performance of these advisers 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

- 61 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 [SONIA] 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 advisers 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

- 62 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 - SONIA
- ii) Cash fund manager - SONIA

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

- 63 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.
- 64 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

- 65 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

- 66 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

- 67 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.
- 68 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.
- 69 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

- 70 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.
- 71 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

- 72 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

- 73 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.
- 74 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.

On Balance Sheet	Fixed	Variable
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

- 75 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.
- 76 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.

- 77 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.
- 78 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.
- 79 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.
- 80 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.

81 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

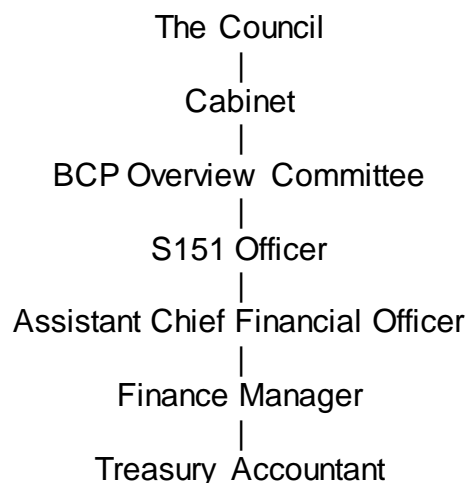
- approval of amendments to the Council's adopted clauses, Treasury Management Strategy Statement and Treasury Management Policies, Practices and Schedules;
- performance monitoring;

- 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.

82 Principles and practices concerning segregation of duties

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

83 Treasury Management organisation chart



84 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 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

- 85 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

- 86 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
 - Link Asset Services
- 87 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

- 88 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

- 89 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 email by the broker and the body receiving or paying over the money, these documents will be retained.

Direct dealing practices

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

Settlement Transmission Procedures

- 91 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

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

Arrangements Concerning the Management of Third-Party Funds

- 93 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

- 94 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

- 95 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.
- 96 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

- 97 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.

- 98 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.
- 99 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

- 100 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.
- 101 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

- 102 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

103 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;

104 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

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

TMP7 Budgeting, Accounting and Audit Arrangements

- 106 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.
- 107 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.
- 108 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

- 109 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

- 110 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

- 111 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

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

Bank Statements procedures

- 113 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

- 114 Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

115 These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

The Terrorism Act 2000

116 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

The Money Laundering Regulations 2012, 2015 and 2017

117 Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

Local authorities

118 Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place

- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions. This person is the Head of Audit and Management assurance.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Head of Audit and Management assurance and it shall be a requirement that all services and departments implement this corporate policy and procedures.

Procedures for establishing identity / authenticity of lenders

119 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).

Methodology for identifying sources of deposit

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

TMP10 Staff Training and Qualifications

Details of approved training

- 121 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.
- 122 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.
- 123 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 124 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

125 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)

126 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

127 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

128 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.

129 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

- 130 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.
- 131 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

- 132 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

- 133 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;

Appendix 3 - Approved Capital Schemes and known commitments

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Regeneration schemes						
Carter's Quay	12,201	19,000	4,868			36,069
Holes Bay	706					706
Pokesdown Station	200	500	1,900			2,600
Smart Places Gigabit Fibre	200	2,833	2,833			5,866
Wessex Fields highways works	1,600	2,400				4,000
Match funding to the resources provided by Salix		1,200				1,200
sub-total	14,907	25,933	9,601	0	0	49,241
Housingm Council Newbuild & Acquisitions Strategy (CNHAS)						
Temporary accommodation	5,994					5,994
CNHAS - residential street properties	1,804	12,235	10,650	10,555		35,244
CNHAS - Care Experience Young People (CEYP)	850					850
CNHAS - Private Rented Sector (PRS)	1,500					1,500
CNHAS Alma Road (former GP surgery)		2,090	1,710			3,800
CMHAS Oakdale	660	1,530	2,180			4,370
CNHAS Roeshot Hill PRS		6,095				6,095
CNHAS Crescent Road		1,623				1,623
CNHAS Princess Road (hostel and PRS)	235	9,574	4,000			13,809
CNHAS HRA Moorside Road	1,274	28				1,302
CNHAS HRA Cabbage Patch	1,227	28				1,255
CNHAS HRA Wilkinson Drive	977	743				1,720
CNHAS HRA Northbourne	983					983
CNHAS HRA Craven Court	628	2,965				3,593
CNHAS HRA Templeman House		1,309				1,309
CNHAS HRA Mountbatten Gardens	29					29
CNHAS HRA Princess Road		4,208	9,000			13,208
CNHAS HRA Duck Lane	1	988	800			1,789
CNHAS HRA Surrey Road	240	406	966			1,612
CNHAS HRA 43 Bingham Road		370				370
CNHAS HRA Roeshot Hill (shared and affordable)		4,304				4,304
CNHAS HRA Cynthia House		1,599				1,599
CNHAS HRA Herbert Avenue	1,134	328				1,462
CNHAS HRA Hillbourne	363	4,417	1,916	475	153	7,324
CNHAS HRA Oakdale		3,143	4,494			7,637
CNHAS HRA Egmont Road	11	956				967
CNHAS HRA Redhorn Close	49	798	553			1,400
CNHAS HRA Dale Close	18	295	144			457
CNHAS HRA Lake Avenue	18	348	303			669
CNHAS HRA Junction Road	18	332	156	12		518
CNHAS HRA Cavan Crescent / Sopers Lane	11	798	308			1,117
Luckham Road	122					122
Alma Road		8	12			20
Constitution Hill		46				46
Purchase & Repair	2,100	2,100	2,100	2,100	2,100	10,500
Project Admiral	3,700	285				3,985
sub-total	23,946	63,950	39,292	13,142	2,253	142,583
Seafront development						
Bistro on the beach	250	5,998				6,248
Canford Cliffs - new beach huts		3,118				3,118
Canford Cliffs - pavilion		1,142				1,142
Mudeford Beach House Café		655				655
Festival Coast Live	198					198
Various other seafront	70					70
sub-total	519	10,914	0	0	0	11,433
Other						
Cleaner, Greener, Safer	453					453
Highways maintenance - capitalised	1,000	1,000	1,000	1,000	1,000	5,000
BIC medium term refurbishment	247	1,533				1,780
Muscliff natural burial ground	110					110
Cleaner Greener Safer - additional CCTV	160					160
Cleaner Greener Safer - safer improvements	40					40
Automated toilet - Old Orchard Poole	127					127

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
ICT investment plan	549					549
Various other coast protection	112					112
St Stephen's homelessness hub	679					679
sub-total	3,476	2,533	1,000	1,000	1,000	9,009
Schemes underway						
Fleet replacement	9,901	4,900	6,463			21,264
Poole Park Railway	200					200
BCP civic centre	3,075	1,063				4,138
Transformation programme (capital)	960					960
Libraries ICT investment	435					435
Estates maintenance (Bmouth pier, Russell Cotes, minor other)	126					126
Skills & Learning (relocation to Dolphin Centre)	743					743
Parkway House	329					329
Street lighting investment	320					320
Various Children's (Hillbourne and Carter)	1,547	70				1,617
Various transportation incl £40k Carter works in TCF	40					40
Various other environment (King's Prk athletics, Lwr Gdns Avia	63					63
Honeycombe Chine	25					25
Various other adults	3					3
sub-total	17,767	6,033	6,463	0	0	30,263
Schemes leveraging in significant external funding						
Poole Bay beach management plan				2,282	1,758	4,040
Upton Country Park Discovery Project	13	214				227
Rossmore & Two Rivers Meet artificial pitch	727					727
Poole Museum - Our Museum Project	793					793
Scaplen's Court	180					180
Russell Cotes urgent repair works		213				213
Poole & Bournemouth Crematoria	546					546
Fernheath playing fields	100					100
sub-total	2,359	427	0	2,282	1,758	6,826
Total approved prudential borrowing	62,975	109,789	56,356	16,424	5,011	249,355

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Capital Financing Requirement Balance Brought Forward	476,629	526,512	678,891	719,309	717,380	
Regeneration schemes	14,907	25,933	9,601	0	0	50,441
Council Newbuild & Acquisitions Strategy (CNHAS)	23,946	63,950	39,292	13,142	2,253	142,583
Seafront development	519	10,914	0	0	0	11,433
Other	3,476	2,533	1,000	1,000	1,000	9,009
Schemes underway	17,767	6,033	6,463	0	0	30,263
Schemes leveraging in significant external funding	2,359	427	0	2,282	1,758	6,826
Total approved prudential borrowing	62,975	109,789	56,356	16,424	5,011	250,555
Other known commitments						
IFRS9 - Leases changes estimate		59,000	3,000	1,000	1,000	64,000
sub-total	0	59,000	3,000	1,000	1,000	64,000
Total Approved and committed borrowing	62,975	168,789	59,356	17,424	6,011	314,555

MRP Contributions / capital receipts applied	(13,092)	(16,410)	(18,938)	(19,352)	(19,604)	
Capital Financing Requirement Closing Balance	526,512	678,891	719,309	717,380	703,787	

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Risk Management – Corporate Risk Register Update
Meeting date	12 January 2023
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"> • The reporting of the Register continues in the updated format for this quarter; • One new risk has been added - CR8 - Inability to run an election/referendum; • Risk CR17 – Risk to Reputation of Place & Council if summer arrangements are not managed was removed during the quarter; • Material updates to the risks are summarised at sections 19-23.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Members of the Audit and Governance Committee note the update provided in this report relating to Corporate Risks.</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 fiona.manton@bcpCouncil.gov.uk
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 finalised and is currently being consulted upon.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board (CMB) 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.
6. Following feedback from the April 2022 meeting of this committee an alternative format for the reporting of risk is included at Appendix 1. The new format contains identical information to that provided previously but seeks to include a clearer quarterly update and a direction of travel for risk scoring.
7. In addition to the above points, the risk response strategy is now included in the risk summary. This defines the strategies being adopted to deal with a particular risk and the four categories are shown below:

Termination: It is impossible to remove or eliminate all risk from an undertaking but it is possible to avoid a particular identified cause.

Transfer: Transfer does not change the risk directly but involves others in its management. The risk transfer strategy aims to pass ownership and/or liability for a particular threat to another party nearly always for payment of a risk premium. This strategy rarely transfers the 'whole' risk. Risk transfer falls into two groups: financial instruments and contractual arrangements.

Treat: By far the greatest number of threat risks will be treated in this way. The purpose of risk treatment or mitigation is to contain the risk at an acceptable level.

Tolerate/accept: There may be limited ability to do anything about some risk, or for a limited number of minor threats the cost of taking action may be disproportionate to the potential benefit gained. In these cases the most appropriate response may be to tolerate or accept the risk.

8. Work is on-going to refine risk strategies in the consideration of the Corporate Risk Register and in future you may see a combination of strategies being reported against risk mitigations and controls.
9. 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. To assist the committee a table of the full risks is shown at the beginning of Appendix 1.
10. In order to consider the risks sitting just below corporate level, those risks considered as Key Assurance Risks are reviewed. These include Information Governance, Emergency Planning and Business Continuity and Health and Safety and Fire Safety.

Corporate Risk Presentations

11. Members will recall a special meeting of the Audit and Governance Committee took place on 1 December 2022. The purpose of this meeting was to provide the Members of the committee with more information on the specific risks associated with the following two Corporate Risks:

CR13 – Failure to deliver the transformation programme
CR20 – Failure to adequately deliver the ambitions of the climate change emergency declaration
12. In relation to CR13 a presentation was delivered by the Chief Executive supported by the Director of IT & IS. This provided more detail on the programme and the associated risks.
13. Members provided a helpful challenge in terms of the risks relating to this programme and following the discussions reporting of this risk to future Audit and Governance Committee meetings will include specifically comments on the following aspects of the risk:
 - Financing of the transformation programme
 - Progress against project plan in terms of delivery timescales
 - Integration of data
 - System resilience
14. Other aspects of the risk were also discussed such as the risk of obsolescence, security risks and, separately, risks relating to Pay and Reward. Some of these are included in other existing corporate risks. If they are not suitably considered, they will remain as discussion points for each quarterly review where relevant.

15. Risk CR20 was presented by the Chief Operations Officer and the Head of Climate Action. The presentation provided information on the aim of the council in terms of adequately delivering the ambitions of the climate change emergency declaration.
16. Climate change is a complex risk with a number of elements and associated responses. In response to this a programme is in the process of being developed to plan necessary actions. The governance arrangements of the programme were explained along with the strategy refresh process which is scheduled to be presented to Council in April 2023.
17. Members provided beneficial clarifications on various aspects of this risk and future reports to this committee will ensure the following areas are included in the quarterly updates:
 - Progress against Programme key milestones
 - Information on any matters being delayed
18. Other aspects of the risk particular to BCP Council were discussed and as the programme continues to develop further information on the impacts will be included in risk updates.

Changes in Risk During Quarter 3 – 2022/2023

19. During the quarter, the risks on the risk register have been reviewed and in addition to the updates to each risk, the material updates to the register are as follows:

CR15 – Effective People Strategy – the scoring of this risk was reviewed during the quarter and the net score reduced from 16 to 12. This reflects that whilst the risk remains at a high level, significant mitigations have either been implemented or are in progress.

CR8 - Inability to run an election/referendum - has now been escalated to the Corporate Risk Register in preparation for the local elections of 2023. The risk was being managed at service level, but it is usual to escalate it to the corporate level in the period prior to any elections.

Risk CR17 – Risk to Reputation of Place & Council if summer arrangements are not managed – has been removed from the Corporate Risk Register and has reverted to service level. This risk will be reviewed again in the next quarter to determine if it should be escalated to corporate level.
20. 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. During each quarter risk owners routinely review the allocated scores along with further discussion by CMB.
21. During this quarter in addition to the review of individual risks, the connectivity of risks was also considered in relation to the Corporate Risk Register. CMB will continue to be mindful of the accumulation of risk. New risk causes, such as inflation, may impact across several risks and in turn compound the overall risk position for the council in a negative way.
22. As part of the continuing development in terms of the reporting of risk registers, the format of the report for this committee now includes a section for each risk which outlines the link to the relevant Corporate Objective(s).
23. Full details of the updates for this quarter can be found in Appendix 1.

Dynamic Risk Review Process

24. Recognising the rapidly changing environment and the increasingly complex interaction between some of the Corporate Risks, a standard agenda item has been added to CMB to add a further layer to the risk review process.
25. This new process allows for more dynamic consideration of the immediate responses required to some of the corporate risks, which will help the Corporate Risk Register to be considered, managed and communicated through the organisation.
26. The consideration of the risks in this way will also inform the regular quarterly reviews that continue to take place in a more timely manner, by flagging changes in risk profile ahead of the regular reviews with risk owners, which will continue to take place in individual meetings.

Service Development

27. 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.
28. In conjunction with IT a project has been underway for the last 12 months to develop an application for the collation of all risk registers. This process is nearing conclusion with a soft launch of initial functionality. Utilising the soft launch process, some minor system updates are in progress to allow the process of the addition of all risk registers to commence. This test process is nearing conclusion and the Corporate Risk Register will be added to the system during January 2023 with all service risk registers being included by April 2023. This will provide an increased ability to monitor and report on the risk registers and provide greater oversight of service level risks.
29. Work is concluding on finalising the draft of a new Risk Management framework for BCP Council. Consideration will need to be given to the council's risk appetite by CMB and the processes for managing risk consistently across the council. This builds on the current position and seeks to enhance the mechanisms for risk reporting and risk escalation. The updated Risk Management Policy for the council is currently being consulted upon and will be reported to this committee as soon as this process is complete.
30. As part of the role of the team, continuous "horizon scanning" is undertaken to identify issues that may give rise to risk for the council. When matters are identified, these are raised with the relevant Corporate/Service Director for review and consideration of any necessary action. Examples during this quarter include:
 - Routinely reviewing the outcomes of internal audit reports to raise risk issues with the relevant service risk champion to ensure, if appropriate, they are suitably reflected and captured in the service risk register.

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

37. 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 27 October 2022

Appendices

Appendix 1 – Corporate Risk Register Update Q3 – 2022/2023

Audit & Governance Committee – January 2023

Corporate Risk Register – Risk Table

Risk Ref	Risk Title	Risk Status
CR1	Failure to respond to the needs arising from a changing demography.	Risk removed Q4 2022
CR2	Failure to deliver effective safeguarding arrangements for children – Children & Communities	Corporate Risk
CR3	Failure to ensure adequate Information Governance – now Key Assurance – Information governance Board Risk	Risk removed Q2 2020
CR4	Failure to provide adequate IT and cyber security	Corporate Risk
CR5	Failure to plan effectively for EU Transition	Risk Removed Q2 2020
CR6	Failure to adequately respond to an incident involving the activation of the emergency plan– now Key Assurance – Resilience Governance Board Risk	Risk Removed Q2 2020
CR7	Failure to provide adequate services as a result of an incident requiring a business continuity response– now Key Assurance – Resilience Governance Board	Risk Removed Q2 2020
CR8	Inability to run an election/referendum	Corporate Risk
CR9	Failure to maintain a safe and balanced budget for the delivery of services	Corporate Risk
CR10	Failure to deliver effective health and safety to protect staff, councillors including the public	Risk removed Q3 2020
CR11	Ability of the council to function and operate efficiently in the delivery of single services across the area of BCP	Corporate Risk
CR12	Failure to achieve appropriate outcomes and quality of service for young people	Corporate Risk
CR13	Failure to deliver the transformation programme	Corporate Risk
CR14	Continuity of Public Health arrangements and evolution of outbreak management plan	Corporate Risk
CR15	Effective people strategy	Corporate Risk
CR16	Blank record	
CR17	Risk to Reputation of Place & Council if summer arrangements are not managed	Risk Removed Q3 2022
CR18	Failure in customer interface	Corporate Risk
CR19	Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)	Corporate Risk
CR20	Failure to adequately deliver the ambitions of the climate emergency declaration	Corporate Risk
CR21	Impact of global events causing pressure on BCP Council & increase in service requirements	Corporate Risk
CR22	Failure of local care market to meet increasing demand	Corporate Risk




AUDIT AND GOVERNANCE COMMITTEE

January 2023

CORPORATE RISK REGISTER UPDATE Q3 – 2022/23

1.1 Mitigation actions and significant changes this quarter are detailed below.

1.2 The table below is a key to arrow directions in relation to individual risk scoring.

RISK DIRECTION OF TRAVEL STATUS	
	Risk impact or likelihood has <u>increased</u> since last review.
	Risk impact or likelihood has <u>decreased</u> since last review.
	There is <u>no change</u> to the risk impact or likelihood

Risk CR2 – Failure to deliver effective safeguarding arrangements for children - CHILDREN & COMMUNITIES

Risk Owner – Chief Executive

Links to Corporate Objective(s): Brighter Futures and Connected Communities

Risk Information

Corporate Context

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 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.

Children's Services

The pan-Dorset Safeguarding Partnership is now working, and a BCP delivery arm is in place to link the safeguarding partnership closer to the BCP operational safeguarding service.

- BCP had a SEND inspection in June 2021 which identified significant gaps in services which are being addressed through Written Statement of Action (WSOA). BCP had an Ofsted ILACS (inspecting local authority children's services) inspection Dec 2021 and was rated inadequate
- Audits continue to review practice. There is still some way to go before sufficient assurance can be given to remove this risk from the corporate overview.

Communities

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.




Key Mitigations & Actions

Children's Services

- Focus on the Children's Services improvement journey and WSoA plan to ensure core services are safer for vulnerable children and young people
- 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 service is struggling to maintain an adequate level of service due to a rise in demand for assessments and considerable ongoing staffing difficulties
- There is an Improvement Board which is chaired by a Department for Education (DfE) Adviser and the Board holds service, council and partners accountable for the delivery of the improvement plan
- DfE support is given to the WSoA through the Delivering Better Value programme
- There have been 2 Monitoring Visits from Ofsted which have evidenced some progress




Communities

- 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
- All relevant staff are trained, and referral processes are clear
- The refreshed BCP Community Safety Partnership Board have five strategic groups:
 - Domestic Abuse Strategic Group
 - Violence Reduction Strategic Group
 - Vulnerable Adult & Child Exploitation Group
 - Safer Communities Strategic Group
 - Reducing Harm from Substance Misuse Strategic Group

Near Future Key Actions (next 3-6 months) <ul style="list-style-type: none">• The relevant actions for this risk are set out in the Children’s Services Improvement Plan and the WSoA. Progress on delivery of the action is reported to a robustly functioning Improvement Board and SEND Board• Domestic Abuse Strategy approved and being implemented. Community Safety Partnership refreshed and working well with clearly defined structure leads and governance.	Target Date for Action March 2024					
Quarter Update <p>The council has had 2 Ofsted monitoring visits, one for the Front Door service and one for Child protection services and they have commented on progress being made. Hampshire County Council has been confirmed as the Sector Lead Partner commissioned by the DfE to support children’s social care and they are supporting our route out of Inadequate.</p> <p>Written Statement of Action (WSOA) - Bedford has agreed to be our Sector Lead Partner to support our WSOA. DfE support is given to the WSoA through the Delivering Better Value programme.</p>						
Risk Scores						
Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16		↔	Treat
Net Score	4	3	12		↔	
Target Score	4	2	8		↔	

Risk CR4 - Failure to provide adequate IT and cyber security	
Risk Owner – Director IT & IS	
Links to Corporate Objective(s): Modern, Accessible, Accountable Council	
Risk Information <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 have 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>	
Key Mitigations & Actions <ul style="list-style-type: none"> • Each legacy council has a strong infrastructure and work continues to migrate to a single BCP core infrastructure • Physical premises security • Physical data security • Encryption • Regular scanning • Multi layered security approach • Active security incident response team • Constant review of latest threats and their vectors • Regular patching and upgrades • Dedicated cyber security officer • Monthly review of key metrics • Continue to run 'internal' Phishing tests and use the data to target training and awareness for staff • Forced Multi Factor Authentication introduced in September 2021 • New Password criteria introduced to ensure complex password use • Restrictions on ability to transfer data out of council applications/datasets to non-secure applications when being accessed through personal devices 	
Near Future Key Actions (next 3-6 months) <p>As we fundamentally redesign and transition the enterprise architecture in partnership with our Strategic Implementation Partner (SIP) we will ensure that the infrastructure is built to leading edge security standards.</p> <p>March 2022</p> <p>While we are seeing an increase in activity, the security measures in place around our infrastructure are performing as expected, though we are undertaking increased monitoring in some areas to supplement the measures.</p> <p>Enhanced infrastructure security measures and internal monitoring capabilities are now available to us through our new enterprise licensing arrangements with Microsoft and these are being implemented and/or reviewed in order to deploy them most effectively against the current threat and risk matrix.</p>	Target Date for Action <p>1 April 2024</p>
Quarter Update <p>User training remains a key focus with the provision of bite-sized training on the most common and pervasive threats. The council is currently undertaking its annual IT healthcheck.</p>	

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	3	12		↔	Treat
Net Score	3	2	6		↔	
Target Score	3	1	3		↔	

Risk CR8 – Inability to run a fair and open election/referendum	
Risk Owner – Chief Executive	
Links to Corporate Objective(s): Connected Communities, Brighter Futures & Modern, Accessible and Accountable Council	
<p>Risk Information</p> <p>Council has a legal responsibility to ensure the running of elections and appoint the Returning Officer. There is an inability to change the date of the elections, so the council/Returning Officer needs to ensure there is adequate resource to run the elections as required by law.</p> <p>The running of elections involves a large workforce and the booking of many non-council run buildings along with multiple halls at the Bournemouth International Centre (BIC). Due to the scale of this undertaking there are inherent risks in the failure to deliver in each of these areas.</p> <p>The management of this risk is closely controlled but that could be undermined by the government announcing a snap general election or referendum at any time. This would have major implications, increasing turnout and reducing the availability of key electoral staff.</p>	
<p>Key Mitigations & Actions</p> <ul style="list-style-type: none"> • Planning and delivery is reviewed monthly by the Chief Executive along with several key officers of the council. • Setup the “One team council approach to running elections”, engaging with other key council departments, to ensure appropriate resource can be provided to run the election. • Ensuring project plan, finances, staff resource and buildings are all completed/available, allocating lead officers to each key area of the election to ensure the requirements/deadlines are met. • Communication Plan for the running of the elections, including changes due as a result of the Elections Act 2022 and the requirement for all voters to bring ID to be able to vote. • Continued close liaison with the Electoral Commission and regional partners. 	
<p>Near Future Key Actions (next 3-6 months)</p> <ul style="list-style-type: none"> • Continued Monthly Monitoring of progress for the election • Continued engagement with key council departments • Continued progress update on the project plan, Risk Register & Contingency Plan • Await confirmation of funding for new burdens as a result of the Elections Act 2022 • New burden – Electors can apply for a Voter Authority Certificate (if required) via a Government Portal • Polling day – Voters use ID to cast their vote for the first time 	<p>Target Date for Action</p> <p>Monthly until 4 May 2023 Ongoing Ongoing</p> <p>Dec 2022</p> <p>Jan 2023</p> <p>4 May 2023</p>
<p>Quarter Update</p> <p>The council is still awaiting confirmation of the funding allocation for the additional burdens due to be brought in by the Elections Act 2022 for elections in May 2023. These are due to be confirmed by the Department for Levelling Up, Housing & Communities (DLUHC) in the next few weeks and will be covered via section 31 grants (new burdens), and supplementary Justification Led Bids if required. We are also awaiting guidance from the Electoral Commission following the recently laid secondary legislation with the detail of the Act.</p> <p>At this time the Elections team have been advised that there will be a national website which will allow applications for the Voter Authority Certificate, and this should be live in Mid-January 2023. It is planned that</p>	




our publicity/communications will go live at the same time as this website and will advise of the process and requirements. This is also the proposed timeframe for the Electoral Commission national campaigns.

Locally, our Elections and Communications teams have been proactive and have already been discussing a communication strategy which will complement the general and targeted national publicity being proposed by the Electoral Commission on these new measures. This will be firmed up once the detail is confirmed following the release of the secondary legislation.

We are also nearing completion of the stations/building bookings and will be checking staff availability soon. We have engaged with our Dorset Council colleagues to discuss the support they can provide for this election – the project plan is also being updated to reflect the changes and map progress. The risk register and contingency plans have also been updated.

Other work streams include engagement with the Equality, Diversity & Inclusion team and the Community Engagement/Participation Officers to formulate the proposed consultation with older age groups, disability groups, vulnerable residents or for those whose first language is not English. This will ensure all information/literature and website information is accessible to all so that every eligible person within the conurbation is clear about the new system and has support to ensure that democracy is upheld and that they are able to vote on May 4th.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16		New	Treat
Net Score	4	2	8		New	
Target Score	4	1	4		New	




Risk CR9 – Failure to maintain a safe and balanced budget for the delivery of services	
Risk Owner – Director of Finance	
Links to Corporate Objective(s): Modern, Accessible, Accountable Council	
Risk Information Council has a legal responsibility to ensure it can balance its budget. As part of this framework, it is not permitted to have negative reserves. The 2022/23 Budget and Medium-Term Financial Plan (MTFP) covering the period to 31 March 2027 was approved by Council on 22 February 2022. The statutory section 25 report from the Chief Financial Officer (CFO) associated with the budget highlighted numerous risks each of significant value. Consequentially the CFO suggested an alternative budget configuration which he considered would better support the council in 2022/23 and future years. By virtue of the fact that Councillors are required to consider the advice of the CFO before making their decision the assumption is that they duly considered and rejected the recommendations of the CFO.	
Key Mitigations & Actions <ul style="list-style-type: none"> • An update on the council's Financial Strategy is a standing Cabinet agenda item until such time as there is a balanced budget delivered for 2023/24. This includes summary update reports on the 2022/23 in-year position, the position on the development of the 2023/24 budget, and the 4-year MTFP position. These reports are supplemented by more detailed quarterly updates of the in-year position. • Since early September an expenditure control has been put in place requiring no new financial commitments are made until such time as there is a balanced budget for 2023/24 other than with the specific agreement of the Chief Finance Officer in consultation with the Portfolio Holder for Finance. • Regular meetings between Cabinet and Senior Officers through September, October and November to develop a revised financial strategy and budget proposals for 2023/24. 	
Near Future Key Actions (next 3-6 months) a) Budget Café b) 2022/23 Budget Monitoring and Financial Strategy Update c) Provisional 2023/24 Local Government Finance Settlement d) Budget Café e) 2023/24 Budget report	Target Date for Action November 2022 December 2022 December 2022 January 2023 February 2023
Update Through detailed public reports to the Cabinet in June, twice in September, October, September, November and December 2022, the council has reflected on a material change to the risk profile of its budget. Salient factors associated with this position can be summarised as: <ul style="list-style-type: none"> • Cost of living inflationary pressures (with the consumer price index currently at 10.1%), estimated to be around £25m in 2022/23 and £30m for 2023/24. These pressures are similar to those consistently being reported by other local authorities nationally. • High levels of financial planning uncertainty due to the constant changes and variations to the costs of goods, materials and services required to deliver council operations. • Amendment of government guidance which has left the council with a significant funding shortfall in respect of its approved £68m transformation programme. • A level of reserves (unearmarked) which is below the 5% of net revenue expenditure threshold often used as a benchmark within the sector. • An application to the government under its Exceptional Finance Support programme to be allowed to finance its transformation programme via borrowing (what is referred to as a capitalisation direction) and to spread the cost over a 20- year period. 	

- A “minded to” offer from the government of the ability to spread the £20m 2022/23 transformation cost, subject to an external finance and governance review, on the condition that the council balances the 2023/24 budget by the end of September 2022 and in the expectation of future asset sales to avoid the need for a further capitalisation direction in both 2023/24 and 2024/25.

In response the council has developed a revised financial strategy for 2023/24 which focuses on traditional local government financial management processes and revenue sources. This strategy was used to develop and respond to the Department for Levelling Up, Housing & Communities (DLUHC) as to how it could balance the 2023/24 budget. This position has been further updated to reflect the Chancellor’s Autumn Statement with the result that certain previously identified savings can be deferred into 2024/25.

It should always be borne in mind that the council has an accumulated and growing deficit on its dedicated school’s grant which by the 31 March 2024 will be greater than the total reserves available to the council. Unless the current regulation that allows the council to ignore this position is extended, this will mean the council’s Section 151 Officer, and probably may others nationally, will be required to issue a Section 114 notice for 2023/24.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16		↔	Treat
Net Score	4	3	12		↔	
Target Score	4	2	8		↔	

Risk CR11 – Ability of the council to function and operate efficiently in the delivery of single services across the area of BCP**Risk Owner** – Chief Executive**Links to Corporate Objective(s):** Modern, Accessible, Accountable Council**Risk Information**

This risk was clarified with the title being reviewed and changed to ensure it captured the relevant detail. This risk recognises the complexity of the local government 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.

Key Mitigations & Actions

- Training and development programme
- Regular liaison between Cabinet and Corporate Management Board (CMB)
- Mentoring and coaching
- Bedding down period for service re-structures
- Member's toolkits
- Six working groups of officers and members put in place to develop high-level delivery plans for the Corporate Strategy
- A forward plan for harmonising the council's major service strategy and policy documents which is near completion
- Cabinet's forward plan has been agreed and regularly updated
- Agreement of Corporate Strategy, People Strategy, Equalities Policy and Action plan leading to delivery plans which give some certainty
- 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
- 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
- Extensive engagement with the Local Government Association (LGA) to provide support for members as required, including making arrangements for mentoring and coaching and the LGA Peer Challenge in Nov 2021 and follow-up in December 2022
- Regular internal communication which has been reviewed and strengthened during 2022
- Regular monitoring of progress towards harmonised policies through the Policy Team

Near Future Key Actions (next 3-6 months)

- Continued monitoring of the harmonisation legacy policy and strategy documents

Target Date for Action




31/03/2023

Quarter Update

Some services are still operating using three different operating systems but these are being reduced as the transformation programme gathers pace and as single operating systems are introduced and services harmonised. The planned implementation of a fully functioning Enterprise Resource Platform from April 2023 will underpin the single HR and Finance systems that we need, and enable the single view of the council as a whole on which we need to build. It will also enable more effective management of people and budgets.




Pay and Reward is the biggest area of demand for harmonisation and a new timetable, bringing forward implementation to January 2024, has now been adopted and the Medium Term Financial Plan (MTFP) adjusted to accommodate that.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	3	3	9		↔	Treat
Net Score	2	2	4		↔	
Target Score	1	1	1		↔	







Risk CR12 – Failure to achieve appropriate outcomes and quality of service for young people	
Risk Owner – Corporate Director of Children’s Services	
Links to Corporate Objective(s): Brighter Futures and Connected Communities	
Risk Information <p>Ofsted inspection of BCP Council’s Children’s Services confirms the safety and quality of services is inadequate which indicates significant risk of the service not providing safe or quality services to children, young people and their families.</p> <p>An improvement plan is in place which is being managed and supported by the newly revised Improvement Board. Senior Leadership Team in Children’s Services, the Department for Education (DfE), Chief Executive and Cabinet members are monitoring and enabling progress and keeping accountable officers on task.</p> <p>The likelihood is that demands on children’s services will increase more than predicted due to post-covid impact and economic issues taking more families into poverty.</p>	
Key Mitigations & Actions <ul style="list-style-type: none"> • Develop robust early help services to drive down demand for Children’s Social Care • Development of further placements in-house and efficient commissioning activities to meet needs • Assessments and visiting happens within statutory requirements managed by Quality and Performance structures • The quality of the casework is audited and supported to increase quality of work • Workloads are managed across the directorate to ensure caseload management • Improvement plan is managed at pace with partners • Workforce recruitment and retention strategy to be in place to build and stabilise the work force 	
Near Future Key Actions (next 3-6 months) <ul style="list-style-type: none"> • Improvement plan in place managed by the Improvement Board • The SEND action plan which also has an Improvement Board • Intensive work to achieve stronger staff engagement and support • Improvement programme supported by Hampshire County Council (rated outstanding for children’s services) through the SLIP 	Target Date for Action <p>There is no target date for this risk as it is considered a continuous intrinsic risk</p>
Quarter Update <p>The council has had 2 Ofsted monitoring visits, one for the Front Door service and one for Child protection services and they have commented on progress being made. Hampshire County Council has been confirmed as the Sector-Lead Partner commissioned by the DfE to support children’s social care and they are supporting our route out of Inadequate.</p> <p>Written Statement of Action (WSOA) - Bedford has agreed to be our Sector-Lead Partner to support our WSOA. DfE support is given to the WSoA through the Delivering Better Value programme.</p>	

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	3	12		↔	Threat
Net Score	4	3	12		↔	
Target Score	4	2	8		↔	

Risk CR13 - Failure to deliver the transformation programme	
Risk Owner – Director IT & IS	
Links to Corporate Objective(s): Modern, Accessible, Accountable Council	
Risk Information <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>	
Key Mitigations & Actions <ul style="list-style-type: none"> • Strong design and engagement with key stakeholders to the business case • Identification of funding sources and the development of a Financial Strategy to support the programme • Strong identification and specification of our requirements while reflecting the extremely dynamic technology/data environment within which we will need to deliver the programme • Robust and effective procurement process to identify and engage the right partner(s) to support the council in the delivery of the programme • Effective programme management and performance monitoring of the delivery. 	
Near Future Key Actions (next 3-6 months) <p>The programme, its 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>	Target Date for Action <p>1 April 2024</p>
Quarter Update <p>Progress since July 22:</p> <p>Good progress has been made with all key workstreams moving into their “Construct” phase, a number of key deliverables have been signed off for the base builds of the Customer Digital “Front Door” and the Master Data Management software forming part of the Data & Insights technology.</p> <p>In respect of the Enterprise Resource Planning (ERP) system we are now embarking on the implementation of the new ERP system which completely rewrites both finance and human resources systems and also all financial interfaces with all other departmental systems, for March 2023. This involves key personnel from HR and Finance in the configuration, data migration and testing required before go-live within very tight deadlines. Change management activity is planned as all managers and budget holders across the council will be required to adopt the new ways of working and move away from legacy spreadsheet workarounds that have been implemented. This constitutes a significant risk for the council until the new system is implemented, embedded.</p>	

Risk Scores





Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16			Treat
Net Score	4	3	12			
Target Score	4	1	4			

Risk CR14 – Continuity of Public Health arrangements and evolution of outbreak management plan	
Risk Owner – Chief Executive	
Links to Corporate Objective(s): Connected Communities, Fulfilled Lives and Modern, Accessible, Accountable Council	
Risk Information <p>On 21 February 2022 the Prime Minister announced the Living with COVID strategy which removed the previous approach to testing, contact tracing and breaking chains of transmission and subsequently universal access to testing ended 1 April 2022 along with contact tracing. Support will continue to be offered by local public health teams to higher-risk settings where outbreaks occur, but this has been scaled back considerably, as part of return to business as usual health protection work. There is no longer a requirement for local outbreak management plans and COVID-19 is now being considered like any other respiratory virus, with general public health guidance for settings replacing the previous test and trace approach. This is the first winter period whereas a system across Dorset we are working together to mitigate, prevent and be in a position to respond to Acute Respiratory Illness, as well as other infectious diseases, in the context of learning to live with COVID-19 and without the policies and restrictions that have been in place for the previous two years' winter period. We remain ready to stand back up should the current situation change.</p>	
Key Mitigations & Actions <ul style="list-style-type: none"> • Guidance for schools, healthcare and care settings about how to live with COVID-19 has been produced and update over the course of 2022– overall the aim is to move to treating this infection like any other respiratory infection. • Widespread access to testing has been replaced with general guidance to stay home and not mix with people if symptomatic – no requirement to seek a test to confirm. • Continued vaccination offer for COVID-19 – including booster doses for older, vulnerable adults and clinically vulnerable 5-11 year olds. • Focus on an expanded offer for the flu vaccination programme. • Ongoing surveillance nationally via ONS infection survey, supported by genomic analysis of PCR testing undertaken in NHS inpatient settings. • Ongoing provision of lateral flow testing and PPE for people providing frontline patient or direct personal care to vulnerable groups. • COVID-19 specific Health Protection Board and local outbreak management plans stood down in April 2022. The Dorset-wide health protection network has been reinstated to have oversight and ensure plans are in place to prevent and respond to health protection issues, including infectious diseases. • BCP Council continues to hold a contingency budget for outbreak response, should the situation change. 	
Near Future Key Actions (next 3-6 months) <p>Covid infections, whilst currently relatively low are increasing and there has been an early and higher number of cases of Flu A in this flu season, with an increase in hospital admissions. The public health team is continuing to run its day response team for Acute Respiratory Infections, particularly COVID and Flu to support local settings with risk assessment and changes to the guidance announced by Government. We continue to hold a contingency in reserve that can be deployed for a step up in outbreak response, should the current situation change e.g. with identification of any new variant. There is continued pressure on health and care services due to infectious diseases including Flu, COVID-19 and more recently Strep A and Scarlet fever but systems remain in place to try to mitigate the impact. No evidence of any new variants of concern for COVID-19 at this point. This year's Flu vaccine is considered a good match to give protection against the currently circulating strains this flu season.</p>	Target Date for Action

Quarter Update




No change to the above updated position.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16			Treat
Net Score	3	3	9			
Target Score	-	-	-			

Risk CR15 – Effective People Strategy	
Risk Owner – Head of HR & Organisational Development	
Links to Corporate Objective(s): Modern, Accessible, Accountable Council	
Risk Information <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 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, including a very strong focus on the identification and development of the culture for the council and its translation into a performance management framework for the organisation and its people.</p> <p>With the decision to defer the implementation of the Pay & Reward programme until April 2024, the organisation is exposing itself to increased risks with regard to equal pay for longer than had been anticipated or planned for. In addition, the decision presents significant difficulties in staff morale with some colleagues being asked to tolerate the inequity caused by the situation being extended materially.</p> <p>In conjunction with the increase in the cost of living, as well as the enhanced mobility around many employment models as a result of the pandemic, the council is experiencing difficulties in many areas (severe in some services) around recruiting and/or retaining experienced staff.</p>	
Key Mitigations & Actions <ul style="list-style-type: none"> Results from the key themes of the 2021 Employee Engagement Survey have been developed into a corporate action plan which has made excellent progress. In addition, all services have developed their own action plans in response to local issues and progress is reported quarterly to Corporate Management Board with great examples of how services are also contributing to the corporate action plan. Examples of good practice have been shared through Senior Leadership Network. Clear correlation between the key themes of the People Strategy and the design and implementation of the transformation programme. The new HR Target Operating Model will align the team to effectively continue the delivery of the People strategy over the coming years. 	
Near Future Key Actions (next 3-6 months) <p>Progress the development of our behaviors and values campaign on our journey to our desired culture.</p> <p>Sign off new strategies for Talent Enablement, Talent Acquisition and wellbeing as part of progress on our People Strategy and to mitigate the risks outlined above.</p> <p>Progress with the Pay and Reward project towards implementation in early 2024 to eradicate equal pay risk.</p>	Target Date for Action <p>1 April 2024</p>
Quarter Update <p>The impact of the deferment of the Pay & Reward programme continues to cause significant pay and morale issues for the organization but a new model has been agreed to enable an earlier implementation with lower numbers of the workforce impacted by the process.</p> <p>A review of the People Strategy progress has recently been undertaken and excellent progress has been made to date across the whole strategy with plans for ongoing development of those items above.</p>	

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16		↔	Treat
Net Score	4	3	12		↓	
Target Score	2	1	2		↔	

Risk CR18 – Failure in customer interface

Risk Owner – Director Customer & Business Delivery

Links to Corporate Objective(s): Connected Communities and Modern, Accessible and Accountable Council

Risk Information

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 focused on the short-term capabilities of the council.

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 having been undertaken during the Covid pandemic. Data is now available across all telephone contact lines within the corporate Customer Contact Centre, but there remains much less robust data in respect of the lines that continue to be managed within services. This reflects the current fragmented customer contact picture, which the transformation process is designed to simplify through the introduction of new customer contact technology and the consolidation of customer contact staff (as far as practicably possible) into a single council front door.

Key Mitigations & Actions

- Additional funding has been provided to the Customer Contact Centre on a transitional basis in the budget adopted by the Council in February 2022. This funding has been provided for additional agency staff to support the volume of telephone contact the council is receiving. This has had a significant and positive impact on performance in 2022/23, but the temporary funding ends in March 2023, at which point the service will lose approximately 20 staff, and the additional call handling capacity they have provided.
- We are now monitoring performance of all service lines within the corporate Customer Contact Centre and are seeing sustained improvements in all but one area (council tax and benefits line) as a result of the interventions.
- The implementation of the council's target operating model along with streamlined technology and processes is anticipated to mitigate the loss of temporary funding.

Near Future Key Actions (next 3-6 months)

Planning is progressing to prepare for the following changes to customer services in 2023/24:

- The disaggregation of the Stour Valley and Poole Partnership, resulting in a need to reduce revenues and benefits contact centre staff numbers to reflect lower call demand once Dorset Council residents' calls cease.
- The removal of temporary funding (£1.5m for 2022/23) that has supported increased contact centre staffing, and which has underpinning improved performance.
- Reduction in resources as part of the service making its contribution to the Medium Term Financial Plan budget gap for 2023/24.

Work is currently underway to optimise current call handling processes and website information, to support more effective digital services and reductions in call volumes. This work will also place the service in a better position to take on additional customer contact activity, as part of the council's transformation programme.

Service redesign will continue with the aim of establishing improved customer journeys which are as digitally enabled as possible. This work will lead to reduced telephone contact over time.

Target Date for Action

1 April 2023







1 April 2023

September 2023

Quarter Update

Contact centre performance continues to improve, with 16 of the 19 corporate Contact Centre telephone lines showing call answer rates in excess of 80% with 13 of those lines in excess of 90% (end November 2022). However, the temporary funding which has been used to increase Customer Service staff since April 2022, is due to end on 31 March 2023, which is inevitably going to impact performance in the short term as there will be less staff to service demand pending the efficiencies expected from the transformation process. Whilst the work to introduce a new target operating model for BCP is ongoing, a customer stabilisation project is underway to identify how we can improve the end-to-end journey for our customers who are currently directed to the corporate Contact Centre, by identifying and fixing as many pain points as possible in our telephone handling and website provision. Progress with this project is reported every two weeks, to enable us to mitigate the reduction in staffing as far as possible.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	3	12			Treat
Net Score	3	3	9			
Target Score	2	1	2			

Risk CR19 – Failure to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)**Risk Owner** – Chief Operations Officer**Links to Corporate Objective(s):** Dynamic Places and Modern, Accessible and Accountable Council**Risk Information**

The risks associated with CR19 relate both to the reputation of the council and being put into special measures by the government if performance falls below 60% for major planning applications and 70% for non-major planning applications. The Planning Service is presently performing as follows:

Category	Government Intervention level	2021/2022	October 2022
Majors	60%	83%	88%
Minors	70%	79%	83%
Others	70%	85%	92%

As can be shown from the above statistics, there is no risk of the council being put into special measures as a result of planning applications performance. The performance since 2021/22 has consistently been at a reasonable level, well above intervention by government. It is recognised that the above statistics include use of Extensions of Times as per government guidelines. Whilst this is accepted at government level and can be a pragmatic way of engaging with customers to resolve issues, the council wants to ensure the Planning Service performance moves to making decisions within the statutory timeframes.

Key Mitigations & Actions

A Planning Improvement Board and Programme has been established. This includes a number of workstreams all framed towards providing the best possible planning service in terms of speed and quality of outcomes. These workstreams have been instrumental in the upward trajectory of performance and further work continues including:

- Recruitment – new planners are being brought in to add capacity (8 new recruits started in October 2022).
- Single Planning System – This is expected to be launched in February 2023, with implementation being overseen by a Board.
- Interim structure in place to organise the staff into supported groups with clear lines of control.
- Use of agency staff has added further capacity to bring the workloads within deliverable tolerance.
- New performance management framework introduced to focus on outputs.
- New streamlined Section 106 process recently introduced in September 2022.

Near Future Key Actions (next 3-6 months)

These measures will continue to be implemented. A new structure will be implemented by April 2023. This will in turn continue to build the council's reputation in respect of its Planning Service and support wider objectives around community and investor confidence, supporting economic growth and the sustainable planning of the area.




Target Date for Action

April 2023

Quarter Update

Creation of interim Development Management (DM) teams to better target performance of planning applications and reduce backlog.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	3	4	12		↔	Treat
Net Score	3	3	9		↔	
Target Score	3	2	6		↔	

Risk CR20 – Failure to adequately deliver the ambitions of the climate emergency declaration

Risk Owner – Chief Operations Officer

Links to Corporate Objective(s): Sustainable Environment

Risk Information

A detailed risk assessment is being developed and agreed but the information below represents a summary of this draft document.

The International Panel on Climate Change's 5th report has robustly concluded that climate change is unequivocally real and caused by human activity such as the burning of fossil fuels and destruction of habitats releasing greenhouse gases in unprecedented levels and limiting the earth's ability to reabsorb them.

The UK Government has committed to achieving 'net zero' greenhouse gas emissions by 2050, and a challenge of this scale will require transformative change to the UK economy. BCP Council has declared a climate and ecological emergency committing the council and region to decarbonising the economy and society by 2030 and 2050 respectively.

There are a number of departments across BCP Council that are central to the response to climate change. However, the all-encompassing nature of achieving net zero means that all council bodies, including departments and arms-length bodies, have a role to play. In order to be more resilient to the threat posed by climate change, in addition to meeting the challenges of achieving net zero, it is vital that all of BCP and its organisations effectively manage climate change risks.

Climate change risks should not be considered in isolation and should be clearly integrated into the strategy of an organisation. It is vital for organisations to recognise that the potential impacts of climate change are not only to do with the physical effects on people and the environment, but also to do with the effects of the transition to a changing climate and the adaptation and mitigation work involved. Similarly, the impacts of climate change should not only be considered as long-term risks.

Physical risks:

- **Acute:** The physical risks of climate change can affect organisations in different ways. Specific weather-related events such as floods will have a significant impact on infrastructure, causing damage to buildings and wide-scale disruption to service delivery.
- **Chronic:** Meanwhile, the more gradual impact of rising temperatures, such as sea level rise and coastal change, will pose risks to certain communities and organisations, and changes in temperature and rainfall will place additional pressures on infrastructure.
- **Indirect:** As well as direct damage costs, both acute and chronic physical risks can also lead to indirect economic and social impacts through supply chain disruptions, subsequent impacts from infrastructure damage (for example, lack of transport, communication, manufacturing) or market shifts (such as increases in insurance premiums, changes in the need for government support, consumer attitudinal and expectation changes).

Key Mitigations & Actions

Physical risks mitigations in place:

- **Acute:** Some service areas have well established strategies and plans which seek to incorporate climate change projections to ensure service and business continuity such as Flood and Coastal Erosion Risk Management and Transport. However without quantified local climate change risks, no standard way of developing adaptation plans and no centrally agreed risk profile that we need to mitigate or adapt to, there is likely to be large variance in the completeness of responses across the organisation.
- **Chronic:** As strategies and plans are not currently mandated to include climate risk planning there is no consistent or regular way of ensuring their completeness or relevance. As such we cannot be confident on the severity of the risk we currently face and whether existing emergency management and resilience forums can scale to the extent of the physical risks of extreme weather events predicted by climate change into the future.

- **Indirect:** it is currently unknown the extent to which our supply chains, the broader economic environment or our local market are vulnerable to climate change.

Near Future Key Actions (next 3-6 months)

Target Date for Action

- | | |
|--|--------------|
| • Quantify/qualify climate risk through a climate change risk assessment across key thematic/service areas such as Environment, Flood & Coastal Risk, Transport, Business, Health, Homes, Buildings | Q4 2021-2022 |
| • Ensure Councillors and Senior Officers are aware of the Climate Risk, understand its consequences and are actively engaged in mitigation and adaptation planning | Q3 2022 |
| • Integrate risk and vulnerabilities into Service Plans, Business Continuity Plans and Health Plans to identify vulnerable and sensitive receptors | Q4 2022 |
| • Act to reduce exposure, severity and the vulnerabilities of sensitive receptors within services and the region | Q4 2022-2030 |
| • Ensure Local Resilience Forum understand severity and likelihood of climate risks and has plans for all eventualities | Q4 2022 |
| • Enhance our sustainable procurement policy to ensure it incorporates the risk of supply chain disruption from climate change | Q3 2022 |
| • Working with the business community, we have initiated a Local Climate Partnership with significant and strategic organisations to identify measures that can provide greater business resilience in relation to energy security and price volatility by developing a Local Area Energy Plan (LAEP). However, the LAEP is on pause due to our current financial context. We hope to commission this study in Q4 2022 | Q4 2022 |
| • Review existing plans and strategies to ensure consistency with the climate declarations, make changes where appropriate and consensus allows | Q4 2022 |
| • Develop a climate policy, and climate strategy that will make explicit the transformation required and the impact to other policies, strategies, plans and programmes | Q1-Q3 2022 |

Quarter Update




BCP Council has declared a climate and ecological emergency committing the council and region to decarbonising the economy and society by 2030 and 2050 respectively. To achieve these targets a sustained long-term programme of investment, resourcing, projects and partnership working is required if the council is to meet the targets as set out. An annual council report is produced to report on the work the council has undertaken throughout the calendar year.

To date in the quarter the following activities are underway:

- Successfully accessed an Energy Performance Framework through Cambridgeshire County Council to access the scale and depth of expertise required to help us reach our Net Zero goals
- Initiated the development of a portfolio to get our corporate estate to net zero, including the identification of the top 10 renewable energy generating sites, and the worst performing 10 buildings and assets to focus energy efficiency efforts on, business cases now in development
- Working with the business community, we have initiated a Local Climate Partnership with significant and strategic organisations to identify measures that can provide greater business resilience in relation to energy security and price volatility by developing a Local Area Energy Plan (LAEP). However, the LAEP is on pause due to our current financial context. We hope to commission this study in Q4.
- Supporting the Local Plan team to ensure sustainability and climate agendas are sufficiently covered in the new Local Plan
- Completed a Local Climate Change Risk Assessment to inform our Adaptation Plan
- Continuing with the development of a Climate Change strategy and policy to set the direction and guidelines for climate action across the council
- Launched the Green Futures Fund which is currently being accessed for energy efficiency measures across our corporate and service area estates
- Orders placed for further electric vehicles as per the adopted council Sustainable Fleet Strategy
- SALIX funded energy saving schemes delivery nearing completion

Green Infrastructure Strategy approved by Cabinet on 7 September 2022 is now live and can be found here: [Green Infrastructure Strategy \(bcpcouncil.gov.uk\)](https://bcpcouncil.gov.uk/green-infrastructure-strategy)

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16		↔	Treat
Net Score	4	4	16		↔	
Target Score	2	4	8		↔	

Risk CR21 – Impact of global events causing pressure on BCP Council & increase in service requirements**Risk Owner** – Chief Operations Officer**Links to Corporate Objective(s):** Modern, Accessible and Accountable Council**Risk Information**

Several global conflicts have required a humanitarian response/offer of refuge to those fleeing and in each case the UK government has set out its policy for accommodating and resettling refugees in every local authority area. The schemes in operation are:

- UK Refugee Resettlement (UKRS - previously known as the Gateway Scheme/Syrian Resettlement scheme)
- Afghan Resettlement (ACRS/ARAP)
- Homes for Ukraine/ Ukraine Family scheme







In addition to these schemes the Home Office also accommodates all who arrive and apply for asylum in the UK, and if granted refugee status these households require access to accommodation and support with community integration. Due to the exponential increase in the volume of asylum seekers arriving in the UK, the government has become reliant on contingency accommodation (nightly let hotels). BCP currently has hotels who are contracted by the Home Office to provide this accommodation while those housed await their asylum decision.

Risks related to asylum and refugee resettlement include:

- Lack of required support for those seeking asylum and those who are already refugees
- Safeguarding risks to asylum seekers/refugees as well as to staff or the public not being mitigated
- Pressure on the BCP housing market which is already inhospitable and unable to meet demand of BCP families
- Pressure on Primary, Secondary and Community NHS services from these cohorts of new patients
- Pressure on social care services (notably Children's Services as a result of Unaccompanied Asylum Seeking Children)
- Pressure on schools to provide education and related support to refugee children
- A detrimental impact on the tourism economy in BCP, as hotels in use are a significant portion of the available rooms (impact anticipated more in summer months)
- Concerns around community cohesion and tensions in relation to asylum and refugee resettlement
- Increase in activity of extremist groups

Key Mitigations & Actions

- Multi-agency partnership working and governance framework in place, communication channels in place e.g. briefings, webpages, dedicated staff team established, links with government agencies
- Strategic leadership from BCP in relation to asylum accommodation and refugee resettlement, identifying need for collaboration with all stakeholders and progressing with impact assessment for the council and its partners of asylum and refugee resettlement
- Additional grant funded resource recruited to manage this new programme and case manage households now resident in the BCP area and enable proactive preventative support
- Engagement with the Home Office and their contracted providers to discuss and deliver dispersed asylum accommodation in the community
- Work with the voluntary and community sector (VCS) to address gaps in support required across all schemes
- Appropriate use of tariff incomes to incentivize hosting sustainment and access to move-on accommodation for Ukrainian refugees

Near Future Key Actions (next 3-6 months)	Target Date for Action					
Complete recruitment to all dedicated refugee posts to ensure ongoing and consistent resourcing, with all staff where possible on fixed term contracts to March 2024	31 March 2023					
Complete initial impact assessment for BCP Council and stakeholders of asylum accommodation and across all UK Resettlement programmes (to be monitored at strategic group thereafter)	December 2022					
Continue to build on prevention agenda and positive move-on to minimize impact on homeless presentations						
Quarter Update						
<p>The Home Office provided notice to the authority in November 2022 of a further hotel in Bournemouth to be used as Initial Accommodation for asylum applicants. BCP has lead a strategic group in raising concerns about the volume and concentration of asylum accommodation in the borough and the impact this has on healthcare systems, social care, the VCS, communities and tourism.</p> <p>The national plan for equitable asylum dispersal in the community within all local authority areas has been progressed and the Home Office contracted provider Clearsprings Ready Homes to endeavor to procure units of accommodation in the private rented sector to be able to re-accommodate those in hotels. The local housing market does not have suitable affordable units to meet the demand alongside that of all others in housing need.</p> <p>The Afghan bridging hotel in BCP continues to run at capacity, with new families arriving as and when there are departures. The policy developments of note in relation to the 'Find Your Own' accommodation pathway encouraging Afghan refugees to source their own move-on accommodation (with financial support from the bridging authority to be provided), and also the proposed policy of eviction from the hotels and referral to homeless services where two suitable offers of accommodation by the Home Office have been refused (the referrals will be made regionally and distributed by SW Councils).</p> <p>BCP Council has committed to ongoing assistance in resettling UKRS and Afghan households with wraparound support. Support provision remains contracted out to ICN.</p> <p>As at December 2022, approximately 251 families have arrived in the BCP area through the Homes for Ukraine scheme with new arrivals slowing. This includes 514 individuals (202 children including 1 unaccompanied minor).</p> <p>Use of tariff funding has been approved to financially assist hosts to continue to accommodate their guests as well as for use to incentivize move-on into the private rented sector.</p> <p>There have been 77 households leaving the scheme (includes return to Ukraine, move-on into own accommodation etc.) Prevention of homelessness and use of temporary accommodation has been prioritized (offer of interim accommodation being a rematch on the scheme where suitable). To date there have been 28 cases of homeless duties accepted and 6 households currently in interim accommodation.</p>						
Risk Scores						
Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	3	3	9			Treat
Net Score	3	2	6			
Target Score	3	1	3			

Risk CR22 – Failure of local care market to meet increasing demand	
Risk Owner – Director of Adult Social Care, Director of Commissioning for People	
Links to Corporate Objective(s): Fulfilled Lives	
Risk Information <p>Adult Social Care:</p> <p>Despite additional care capacity it is challenging to identify sufficient care resource to meet the continuing high demand for hospital discharge and demand within the community. The capacity shortfall in the care sector is further exacerbated by the increased needs of individuals leaving hospital.</p> <p>Workforce capacity within the local care market is also a national issue. This was exacerbated by Covid, staff seeking alternative employment and recruitment difficulties and the trend of staff leaving the care sector continues.</p> <p>The lack of market capacity impacts timely hospital discharge, drives up the cost of care placements and limits choice for individuals.</p>	
Key Mitigations & Actions <ul style="list-style-type: none"> Contract Monitoring and the Service Improvement Team provide personalised support to providers and provide an early insight into any escalating challenges which specific providers may be facing Additional capacity added through rapid response and block contract purchasing during the pandemic is continuing until at least March 2023 Further development of Reablement Service (bedded and community) to reduce need for long term care following period of ill health/injury Implementation of the ASC Winter Discharge Grant 2022/23 containing initiatives to support timely discharge from hospital Care home strategy and extra care housing strategies have been developed Staff tasks re-prioritised to ensure speedy completion of Covid checklists for care home suspensions Recruitment campaigns are operational and targeted at domiciliary care across multi-media platforms, including social media, radio and editorial promotions under the 'Proud to Care' banner Free childcare for BCP framework domiciliary care providers is available in school holidays Free parking permits for BCP framework providers have been issued for use in difficult parking areas across the BCP Council area and free bike hire is available to care staff as an alternative to driving 	
Near Future Key Actions (next 3-6 months) <ul style="list-style-type: none"> Distribution of 2022/23 fair cost of care grant to providers Recruitment initiatives, including recruitment from abroad and the ICS scholarship programme Further voluntary sector proposals with the Community Action Network and sector to provide support at Emergency departments and community hospital sites 	Target Date for Action Dec 2022 & Mar 2023 Ongoing to March 2023 Jan 2023
Quarter Update <p>Cost of care and market sustainability review:</p> <p>The Fair Cost of Care exercise has now been completed and returned to government and based on the findings one of two payments to domiciliary care providers has gone to providers to support the market. A further payment will be made in March 2023. The government has advised funding will be available to support the market in 2023/24. The draft sustainability plan has not been challenged by government following submission. The sustainability plan needs to be affordable given the council's Medium Term Financial Plan position and a final version of the sustainability plan will be completed alongside the budget development for 2023/24.</p>	

ASC Winter Discharge Grant:

Fifteen schemes have been agreed locally under the grant supported by just over £4.7m of grant funding. This includes the commissioning of 60 interim care beds in December 2022 to support hospital discharge over the winter in addition to other block booked beds already available. Other schemes include: additional home care, rapid response and reablement capacity, as well as social care staffing to support delivery.

Voluntary Sector Support:

Community Action Network are now working to support people out of hospital and reduce need for care. Schemes are extending from January 2023 to work with the Community Hospital sites as well. In addition, a further voluntary sector offer will be starting January 2023 to support people presenting in the emergency departments.







Recruitment:

Overseas recruitment is now being funded via the Winter Discharge Grant and will support 133 new whole time equivalent workers into the local market from abroad in the coming 4 months.

The 2022 Proud to Care campaign has been well received across social media platforms with over 170k interactions.

There is also a programme of targeted in-house recruitment particularly around professionally trained and skilled experienced staff in social work and occupational therapy. To do this we are working with HR and marketing. We are also taking full advantage of the apprenticeships available to us in occupational therapy and social work however and the plan is to do this on an annual rolling basis which will provide a steady flow of new recruits.

Risk Scores

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter	Risk Strategy
Gross Score	4	4	16			Treat
Net Score	4	3	12			
Target Score	3	3	9			


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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Governance Statement 2021/22 – Action Plan and update
Meeting date	12 January 2023
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 identified in the 2021/22 AGS.</p> <p>Progress against the agreed action plan is as follows:</p> <p><u>Governance of Children’s Social Services</u> –The improvement journey of Children’s Social Services is monitored through various officer and Councillor forums, including the Improvement Board and Children’s Overview and Scrutiny Committee, and externally through the Department for Education (DfE) Advisor and Ofsted.</p> <p><u>Governance Arrangements with External Bodies</u></p> <ol style="list-style-type: none"> 1. Parks, charities and trusts A Parks Governance Review is currently being undertaken by a Council senior solicitor, this is expected to report and conclude by 31/3/23. The specific partnership between the Council and the Parks Foundation has been comprehensively reviewed. External legal advice has been sought resulting in various partnership documentation being amended, such as the Memorandum of Understanding. Additionally, some previously undocumented processes, such as decision making processes on individual projects, have been drafted and now need formally approving and adopting. 2. Partnerships – draft documentation, including definitions, guidance, templates and registers have all been produced, with agreement, adoption and roll out by the action plan agreed 31/3/2023. <p>There was no agreed formal action plan in response to the <u>‘Delay in the completion of the 2020/21 external audit’</u> as the matters were outside the direct influence of BCP Council to resolve. Whilst the External Auditor has published the Annual Report for 2020/21, the formal sign off of the Statement of Accounts has not yet taken place as there remain issues associated with the accounting treatment of infrastructure (national issue) and the audit opinion of the Dorset Pension fund auditors.</p>

	<p>The wording in the AGS has been slightly amended to take account of this latter pension fund issue.</p> <p>The updated Financial Management Code self-assessment reported in July 2022 concluded that BCP Council was compliant with the Code. Some opportunities for further improvement were identified and actions are in progress and will be concluded at various points during 2023.</p> <p>The AGS is required to cover the year ending 31st March 2022 but also "...to the date of the publication of the Statement of Accounts". As the publication of Statement of Accounts has been delayed, the report also considered whether any additional significant governance issues have arisen which require inclusion in the 2021/22 AGS.</p> <p>Two issues have been considered and explanations are provided within the report which will mean the AGS 2021/22 will remain unchanged from when it was reported to this Committee on 28 July 2022:</p> <ul style="list-style-type: none"> • Public Inspection period feedback • Financial sustainability
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee note:</p> <p>a) the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2021/22 and the opportunities for further improvement in line with the Financial Management Code.</p> <p>b) note that the wording in the AGS 2020/21 for the delay in the completion of the 2020/21 external audit has been slightly amended to include the delay caused by receiving required confirmation from the auditor of the Dorset Pension Fund.</p> <p>c) the feedback from the public inspection period and other potential significant governance issues which may have arisen since the publication of the draft have been considered and that no amendment to the AGS 2021/22 has been made.</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	Nigel Stannard - Head of Audit & Management Assurance ☎01202 128784

	 nigel.stannard@bcpcouncil.gov.uk Ruth Hodges – Audit Manager (Deputy Chief Internal Auditor)
Wards	Council-wide
Classification	For Update

Background

1. The 2021/22 draft Annual Governance Statement for BCP Council was agreed prior to the public inspection period by Audit and Governance Committee in July 2022. Due to the delay in publishing the audited statement of accounts, the AGS has not yet been finalised.
2. The draft AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. However, the following three significant governance issues were identified:
Issue 1 - Governance of Children’s Social Services
Issue 2 - Governance Arrangements with External Bodies
 - i. Parks, charities and trusts
 - ii. Partnerships
Issue 3 - Delay in the completion of the 2020/21 external audit
3. An Action Plan to address issues 1 and 2 was approved and it was agreed that a progress report be presented to this (January 2023) Audit and Governance Committee. No internal action plan was produced for item 3 as the delay in the completion of the external audit is a national issue outside the direct influence of the Council.
4. The delay in finalising the statement of accounts has resulted in an extended period where the Council should consider, in line with best practice, whether the AGS needs to be updated with any new significant governance issues. This is explained in more detail at paragraph 7.
5. Work will shortly commence to prepare the 2022/23 AGS, including the completion of assurance statements by service and corporate directors. These will be used to assess the adequacy of the governance framework. The draft will be available for public inspection in line with the statutory time frame.

Update against the 2021/22 AGS Action Plan

6. Table 1 shows the update against the actions.

Table 1 - showing Update against Annual Governance Statement 2021/22 Action Plan:

1

Governance of Children's Social Services

Reporting is summarised in this report as the Children's Service Action Plan has been subject to extensive reporting at various BCP Council forums, including Council, Cabinet and Overview and Scrutiny committees, Internal Boards and by Ofsted through their inspection regime.

The Statutory Direction from the DfE was introduced in April 2021, aligned with this, new governance arrangements were introduced by the DCS into Children's Services offering a robust and detailed approach to governance across the whole service, corporately and including our BCP partners. This has brought a greater degree of understanding, transparency and accountability that it is everyone's responsibility to safeguard children and young people in BCP. The senior leadership in Children's Services are held responsible for the delivery of their service improvements through the Quality and Performance Board and alongside corporate services and partners via the Children's Services Improvement Board. These boards are crucial in offering clear direction, support and challenge, establishing the way forward in our improvement journey and with the pace required.

Partnerships are growing stronger and this is demonstrated by the key values that have been developed and introduced to underpin all SEND. These are trust, honesty, transparency, empathy, communication, belonging and respect. There is a strong commitment to creating and embedding a culture that embodies these values, and the SEND system is being held to account through the SEND Improvement Board.

There are many 'eyes' on BCP Children's Services, ensuring that we are heading in the right direction. It is reported by the DfE Advisor, through Ofsted Inspections of Children's Social Care and SEND Monitoring visits that progress and improvements across a number of areas are being made, and BCP Children's Services is where they expect us to be, at this time in the improvement journey. The feedback clearly states confidence in Children's Services to continue this improvement with the right support at the right time from the corporate centre.

There is a well-considered Quality Assurance Framework which is being embedded into practice across the service, it still requires more consistency of application in some areas, but this is being addressed through the leadership and management. The most significant challenge remains the recruitment and retention of social work staff recently a pay review has been agreed for Social Work staff, outside of the Corporate Pay and Award initiative in order to recruit and retain a highly skilled workforce.

Children are at the heart of the improvement journey, and their voices run through every priority of the improvement plan. The plan will continue to improve outcomes and experiences for children and young people; their voices, views and influence are integral to success.

The 3 main pillars of Children's Services – social care, SEND and inclusion practice in schools – all continue to need further sustained improvement, this improvement journey is a marathon not a sprint, and work is ongoing to integrate our improvements to become more efficient and effective in how we approach improvement programmes. Whilst we are starting to see the results of some of the improvements we have made there, is still a need to become consistent in delivery as well as embedding the improvements at pace. Staff stability through the new recruitment campaign will support this as we move forward. The quality of practice needs to continually improve at pace to impact on the lived experience of our children, young people and families.

We have a highly committed workforce, with staff joining us from good and outstanding local authorities, all of whom are committed to this improvement journey, however we recognise there is still work to be done on developing the operating culture in BCP we all aspire to.

Action Points	Responsible Officer	Target Date
Links to November 2022 Improvement update and progress against Written Statement of Action .	Corporate Director – Children's Services	Links to November 2022 Improvement update and progress against Written Statement of Action .

2	Governance Arrangements with External Bodies (<i>shaded text below shows what was originally reported to A&G Committee in July 2022</i>) <p>In previous years' AGS, the Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose. Last year, the areas of Parks Charities and Trusts, and Partnerships were specifically identified for improvement.</p> <p>During 2021/22, significant work has been undertaken to improve the governance in these areas. For Parks, this has included presentations to Audit & Governance Committee, implementation of many of the Internal Audit recommendations, and re-instigation of Board meetings for the Lower Gardens Trust (although these were not in place throughout 2021/22). However, several elements are still outstanding, notably completion of the legal review into Parks Trusts arrangements to achieve consistency and sound governance.</p> <p>As part of the Council's Transformation programme, the Communities and Partnerships workstream is progressing work to strengthen partnership governance. Good progress has been made on all the action points on last year's AGS, a corporate partnership register, corporate oversight and guidance, however, this has yet to be completed and implemented.</p>			
	Action Points	Responsible Officer	Target Date	Update – December 2022
	1. Parks, charities and trusts			
	Completion of review(s) of Parks Trust arrangements to ensure sound governance and achieve consistency	Chief Operations Officer & Monitoring Officer	31/12/22 (Revised date of 31/3/23 for wider governance review)	<p>A comprehensive review has been completed, by appointed third-party solicitors, of arrangements between the Parks Foundation and BCP Council. The following documents and process have been drafted and are in the process of being approved and adopted:</p> <p><u>Memorandum of Understanding (MOU)</u> – an update of the previous document and describes the overall relationship and responsibilities of each organisation.</p> <p><u>Project Agreement</u> – this is a template that will be used for each project undertaken in partnership between the two organisations.</p> <p><u>Parks (in trust) decision process</u> – this document outlines the governance and a process for how decisions on the operation of smaller scale projects / assets can be made. It gives specific criteria for such decisions and a process for reaching them.</p> <p>A wider Parks Governance Review is being undertaken by one of the Council's senior solicitors and will initially focus on providing a 'fact sheet' for each trust clarifying:</p> <ul style="list-style-type: none"> • Its purpose, what it is and isn't allowed to do (with references to attendant laws) • What should happen if there are discretionary decisions (who has authority to decide and on what basis) • How many and who the trustees should be (Councillors, officers, third parties, other) • What meetings / reporting needs to be in place • Relationships with third party organisations (including the Parks Foundation) <p>This work is progressing, it is anticipated this will be completed by the end of March 2023. The initial draft will be shared with Internal Audit to ensure it satisfies recommendations made in previous audit reports.</p> <p>It is intended that these 'fact sheets' will be incorporated into Trust Board training and can be shared with the Audit & Governance Committee.</p>

			It will also be useful as the foundation for any further work to explore whether trust arrangements can be simplified or harmonised, although initial indications suggest this would not be straightforward and would require significant specialist legal input.
2. Partnerships Governance			
BCP Council Partnership governance will be strengthened through the development of the following: a) Agreement of a partnership definition b) Production and maintenance of a Corporate Partnership Register c) Establishment of corporate oversight of partnerships d) Production of corporate partnership guidance to supplement Financial Regulations, which can also be used for compliance purposes This will initially be lead through the Communities and Partnership Transformation workstream but, if necessary, a new corporate lead will be identified and appointed to take these forward.	Chief Executive Head of Community Engagement	31/3/23	Officers from Communities, Policy and Research, Internal Audit and Development, led by the Director of Operations, are working together to produce the guidance and documentation identified. This will also include the Partnership recommendations made by the external auditor in the 2020/21 Annual Report. Draft documentation has been produced. Roll out of the guidance and register will by 31 st March 2023 as planned.

3	<p>Delay in the completion of the 2020/21 external audit (<i>shaded text below shows what was originally reported to A&G Committee in July 2022</i>)</p> <p>The Council considers that the delay to the completion of the external audit of the 2020/21 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is caused by national issues regarding the accounting treatment and auditing of infrastructure assets which is affecting approximately 50% of local authorities, and therefore, out of the Council's direct control to take actions to remedy the situation. However, the Council continues to work with the external auditor to provide necessary data and support and to respond to matters raised. In addition, the Council's own mechanisms, such as internal accounting processes and controls, reporting to officers and Members, publication of accounts and internal audit continue to provide assurance over financial management.</p> <p>Given that the matter is a national one outside of the direct influence of the Council, no internal action plan is appropriate.</p> <p>Update – December 2022</p> <p>The national issue regarding the accounting treatment and auditing of infrastructure assets is close to interim resolution via an opt in statutory override which was passed into legislation on 25th December 2022. External Auditors will still need to identify their exact response to this legislation and their audit approach. Notwithstanding the delay on the Statement of Accounts element, the external auditors have published the Annual Report for 2020/21 containing their opinion on the value for money arrangements (including financial sustainability, governance and improving economy, efficiency and effectiveness) and this was reported to the Audit & Governance Committee in October 2022. There have also been delays in receiving the audit opinion from the auditor of the Dorset Pension Fund and the knock on implications for the BCP Council Statement of Accounts. Both issues have been comprehensively reported to Audit & Governance Committee during the calendar year 2022. The wording in the AGS has been slightly amended to take account of this latter pension fund issue.</p>
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Consideration of public inspection and additional potential significant governance issues

7. The AGS conclusion is required to cover the year ending 31st March 2022 but also "...to the date of the audited publication of the Statement of Accounts." To this end the Council should consider amending the AGS, should the passing of time reveal any new significant governance issue and that issue likely existed in the relevant period covered by the AGS, in this case up to 31st March 2022.
8. Two potential issues have been considered:

8.1 **Response to public inspection of accounts (August 2022)**

One detailed response (cited as 'observations') was received in connection with the AGS during the public inspection period. The introduction of the observations began:

"I was astounded to find, on reading the draft annual governance statement (AGS) for BCP Council, that with the exception of children's services and two more recondite matters, the Council is thought to have 'effective and fit-for-purpose governance arrangements'. That is certainly not my perception as a BCP resident, though admittedly, the statement only covers the period to 31 March 2022, and some of the more serious assaults on BCP's governance systems have been implemented since that date. The most damaging of those attacks was probably the BCP administration's assault on scrutiny."

and went on to detail issues including:

- Abolition the Overview & Scrutiny Board, reduction in number of scrutiny meetings, political balance and use of party whips
- Cabinet assistants on Scrutiny and Audit & Governance Committee
- Operation of the Standards Committee
- Political balance on scrutiny committees
- Irregularities on the Planning Committee
- Awarding of Additional Restriction Grants
- Last minute publication of agendas and reports

The Statutory Officer Group (SOG) - made up of the Chief Executive, the Monitoring Officer, the Chief Finance Officer & Section 151 and the Chief Internal Auditor) have considered the views of the respondent and have concluded that, irrespective of personal or political views and preferences on the matters raised, the committee and political arrangements mentioned are in line with both legislative and constitutional requirements for the establishment and operation of committees and that Council decision-making processes were followed in all cases; no changes to the AGS will therefore be made.

The awarding of Additional Restriction Grants (ARG) has been subject to internal and external scrutiny, review and audit. These include:

- The Ombudsman response to a particular resident
- The Department for Business, Energy & Industrial Strategy (BEIS) audit outcome, including the review of a specific grant where a BCP councillor requested further assurance
- Scrutiny by this Committee
- Internal Audit report and recommendations (which have been actioned)
- Freedom of Information (FOI) responses to residents and other third parties

Whilst there have been some lessons learnt and some recommendations made from these reviews, no significant governance issues or weaknesses were identified, no changes to the AGS will therefore be made.

The commentator correctly recognises that, during 2021/22, BCP Council met statutory obligations with regard to publication of agendas. In exceptional circumstances reports or specific content of reports may be marked 'to follow' at the point of publication. This can occur when a decision is required to meet a statutory or contractual deadline, but specific information or data, such as published detail of the Government financial settlement, is required to finalise a report.

8.2 Financial sustainability

On-going financial sustainability is undoubtedly an issue for most local authorities, BCP Council included. Under the 2020 Code of Audit Practice, Grant Thornton as the Council's External Auditors, were required to provide an Auditor's Annual Report containing a commentary on their view on arrangements for securing value for money. Grant Thornton, at a special meeting of this Audit & Governance Committee on 20 October 2022, presented their Auditor's Annual Report for 2020/21 and identified weaknesses in the Council's financial sustainability arrangements and key recommendations were made. The weaknesses identified were not of a governance nature and the same report concluded there were no identified significant governance weaknesses identified.

Furthermore, the more acute financial sustainability issues, for BCP Council, identified by Grant Thornton, have largely existed for the current financial year 22/23 and the forward look period covered by the Medium-Term Financial Plan. These issues exist as a result of wider 'cost of living' inflationary pressures and outcomes against the specific risks taken by BCP Council when setting the 2022/23 budget and are not as a result of significant governance weaknesses.

The decision whether to include 'financial sustainability' in the AGS for the 2022/23 financial year will be made following the process outlined in paragraph 5 of this report.

9. The AGS for 2021/22, (for the period ending 31st March 2022) will therefore not be retrospectively amended for the two issues identified at 8.1 or 8.2 and will remain as presented to this Committee on 28 July 2022 and as summarised previously in the action plan update of this report.

Update against the Financial Management Code Action Plan

10. As required by best practice, the 2021/22 AGS also considered progress towards compliance with the Financial Management Code (FM Code), which provides guidance for good and sustainable financial management. The updated self-assessment reported in July concluded that BCP Council was compliant with the FM Code, with a number of opportunities for further improvement remaining.
11. Table 2 shows that progress continues against the FM Code, including the public survey on the Council's budget. The implementation of the new financial system from April 2023 will bring further improvements.

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

	Issue	Recommendation	Update – December 2022
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.	Implemented (as reported June 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.	In progress - The Council is now committed to creating a Corporate Landlord Model. The restructure of the Corporate Leadership Team puts in place the structure to enable the Council to take the next important step towards successful implementation.
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.	In progress - Consultation with residents launched on 18 November 2022 for the 2023/24 budget. The public survey is available on the council's consultation and engagement platform (Engagement HQ) at haveyoursay.bcpccouncil.gov.uk/budget and was open until Friday 23 December. Hard copy surveys were also available at local libraries.
4	The Council undertakes regular reporting of key elements of the balance sheet such as projected reserves and transformation costs in quarterly Cabinet reports. Collection fund, bad debt provision and collection rates are reviewed periodically.	Determine if further balance sheet and other items (e.g. procurements undertaken) should be monitored by CMB.	In progress - The transformation programme is progressing with financial reporting requirements currently under review in the final phase of the implementation for April 2023.
5	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.	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.	In progress - the new system implementation has moved to the construct stage of the project with deployment planned from April 2023.

Options Appraisal

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

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

19. 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 2021/22 (Audit & Governance Committee 28/7/22)

Appendices

There are no appendices to this report.

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Assurance Framework & Internal Audit Planning Consultation 2023/24
Meeting date	12 January 2023
Status	Public Report
Executive summary	<p>To aid compliance with the Public Sector Internal Audit Standards and to ensure early consultation with the Audit & Governance Committee, this report outlines the BCP Assurance Framework and the proposed approach for the 2023/24 Internal Audit Plan.</p> <p>The Assurance Framework has been updated in line with the best practice 'Three Line' model which explains how key organisational roles work together to facilitate, and provide assurance upon, strong governance and risk management. Sixteen key assurance functions have been identified (such as Risk Management and Information Governance). For each of these, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist. The Assurance Framework is also used to help develop the Internal Audit Plan.</p> <p>The proposed 2023/24 Internal Audit Plan approach shows the amount of resource to provide core audit work (including high risk, key assurance and key financial audits) and fraud work and subject to budget approval will remain materially the same as 2022/23. This resource is considered sufficient resource to be able to deliver the Chief Internal Auditor's Annual Opinion. There will be a minor decrease in overall level of resource, mainly due to the reduction in use of agency staff, and some minor variances in resource allocation, for example, to support the Council's equality work.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <p>(a) Agree the BCP Assurance Framework</p> <p>(b) Provide any comments or feedback on the proposed draft 2023/24 Internal Audit Plan – high level allocation of resource and delivery approach</p>
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 & Governance Committee are informed of the proposed 2023/24 Internal Audit Plan approach.</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. 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 and include additional requirements and interpretations for the UK public sector.
2. The Local Government Application Note (LGAN) details the sector-specific requirements for the provision of internal audit services within a local government organisation within the UK Public Sector Internal Audit Framework.
3. 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 through which Internal Audit strives to improve and develop its service.
4. 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

5. BCP Council's Assurance Framework (Appendix A) has been updated this year in line with the 'Three Lines' model, which is widely recognised as a best practice approach to implementing risk management and corporate governance, as shown in the Council's Local Code of Governance.
6. For each of the key assurance functions identified, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist.
7. The Framework 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. It also informs the Council's Annual Governance Statement (AGS) which reports on the effectiveness of the governance framework and which is a further source of assurance to the Audit & Governance Committee.
9. The PSIAS state that the Head of Internal Audit must provide an annual 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 sources of assurance that will be used to form the basis of the opinion.
10. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Proposed Audit Plan 2023/24 – High level allocation of resource

Best Practice Compliance

11. 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.
12. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
13. The proposed work in the draft 2023/24 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).
14. 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
 - 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
15. 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.
16. 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.
17. The table below outlines the Audit Plan days for 2023/24, with comparison to the 2022/23 Audit Plan.

AUDIT ACTIVITY	DETAIL	2022/23 PLAN DAYS	2023/24 PLAN DAYS	Difference (Days)	Reason for Difference
CORE AUDIT & ASSURANCE WORK					
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	200	200		
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		
TOTAL		1,585	1,585	0	
OTHER AUDIT WORK					
INVESTIGATIONS	Fraud/management investigations	100	100		
CONTINGENCY WORK	Other audit reviews as requested and carry forwards	50	20	-30	Less days allowed for contingency reviews based on 22/23 actuals
GRANT CERTIFICATION WORK	Chief Internal Auditor certification as required per grant conditions	45	45		
FINANCIAL REGULATIONS COMPLIANCE	Responding to requests for waivers and instances of breaches	20	20		Less days allowed for vfm/efficiency work based on 22/23 actuals and corporate budget/transformation work
BCP TRANSFORMATION & EFFICIENCY	Supporting Transformation, and income generation (including commercial) & business opportunities in support of the MTFP	60	35	-25	
TOTAL		275	220	-55	
CORPORATE ASSURANCE WORK					
CORPORATE FRAUD	Includes service specific support on housing and right to buy applications verification and fraud referrals	125	125		
FREE EARLY EDUCATION FUNDING AUDITS	Assurance on funds allocated to providers	70	70		
OTHER CORPORATE ASSURANCE WORK	Includes Charter Trustees audits and ill health pension review role	20	30	+10	Additional days to support new ill health

TOTAL		215	225	+10	pension review role
GOVERNANCE WORK					
CORPORATE MANAGEMENT & LIAISON	Work with External Audit and Senior Management	30	70	+40	Additional days to allow for support of corporate groups including equalities
MEMBER LIAISON	Audit & Governance Committee work	65	65		
AGS (Annual Governance Statement)	Preparation & monitoring of the Council's Annual Governance Statement and local code of governance	75	75		
TOTAL		170	210	+40	
IA SERVICE MANAGEMENT WORK					
MANAGEMENT & MEETINGS	Staff management and meetings, including 1-2-1s and recruitment	250	250		Reduction in temporary 22/23 increase in development days for IA service technology transformation
AUDIT DEVELOPMENT	Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes	120	100	-20	
PERFORMANCE MANAGEMENT	Monitoring/reporting on team performance and quality assurance processes	60	60		
TOTAL		430	410	-20	
NON-PRODUCTIVE TIME					
LEAVE		525	550	+25	Increase to reflect additional bank holidays and leave
SICK/DOWNTIME		55	55		
TRAINING & CPD		155	135	-20	No formal qualification training planned 23/24
VACANCY CONTINGENCY		40	0	-40	
TOTAL		775	740	-35	Vacancy contingency removed to cover planned work
TOTAL DAYS		3,450	3,390	-60	Reduction in planned use of external resource (i.e. via agency) and less overall working days

Audit Plan Delivery

18. 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 identified 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.
19. During 2023/24 there will continue to be much organisational change in the Council, particularly the transformation programme. Therefore, a flexible audit approach is required to address the changing environment. The audit approach will also be mindful of the likely creation of more 'Centres of Excellence' which may bring together the work of similar staff and functions across multiple directorates into single centres – such as Commissioning and Procurement.
20. 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

21. As part of the compilation of the 2023/24 plan, following this consultation with Audit & Governance Committee, the Corporate Directors & Service Directors will be consulted to capture any emerging risks/pertinent issues.
22. Following the consultation process the final 2023/24 Audit Plan will be brought back to this Committee for formal approval in March 2023.
23. A detailed breakdown of audit days required in each Directorate will be included in the final 2023/24 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.
24. Audit & Governance Committee are asked to consider and comment on the proposed 2023/24 Audit Plan approach.

Options Appraisal

25. See audit plan approach option above.

Summary of financial implications

26. 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 17 assumes the 2023/24 Internal Audit budget will be approved broadly on the same basis as 2022/23 (£717,100) and allowing for inflationary growth only. This level of resource is considered sufficient to provide the Chief Internal Auditor's Annual Opinion.
27. The Chief Internal Auditor has considered, particularly in the light of the current financial challenges, whether it is possible to reduce the size and therefore cost of the team and still deliver the Chief Internal Auditor's Annual Opinion. Currently, it is considered that reducing the size of the team would comprise the ability to produce the Annual Opinion and thus for individual officers and the Council to fulfil statutory requirements. However, this will be kept under on-going review and it is anticipated that the new working practices and consolidation of legacy working practices and

systems following delivery of the Council's transformation programme will enable the Chief Internal Auditor to reconsider savings opportunities.

Summary of legal implications

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

Summary of human resources implications

29. There are 13.35 full-time equivalent (FTE) Internal Audit staff members planned to be employed as part of the 2023/24 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 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 1 – BCP Assurance Framework

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AUDIT & GOVERNANCE COMMITTEE

AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK



Management				Internal Audit	External Assurance Providers
Assurance Function	First Line Assurance	Second Line Assurance		Third Line Assurance	External Audit
		Corporate advice & compliance	Corporate Oversight		- External Audit - Reviews & Inspections - Regulatory Bodies - Benchmarking
Asset Management	Directors and managers	Development (Finance); Housing; Customer & Business Delivery	Corporate Property Group (CPG); Asset Investment Panel; BCP FuturePlaces Board; Corporate Management Board (CMB)	Chief Internal Auditor Annual Opinion	External Audit (Grant Thornton - GT) *
Business Continuity		Finance	Resilience Governance Board; Resilience Forum; CMB		Outsourced Business Continuity, ICT inspections
Business Planning and Performance Management		Policy & Research	Various – including Children's Services Improvement Board; Planning Improvement Board; Big Plan Delivery Board; CMB		Local Government and Social Care Ombudsman (complaints) Peer Review
Counter Fraud		Finance	Statutory Officer Group (SOG)		
Financial Management		Finance	CMB		External Audit (GT) *
Fire Safety		Customer & Business Delivery (Facilities Management)	Health & Safety & Fire Safety Board; Safety Supporters Forum; CPG		Fire Safety Inspections
Health & Safety (H&S)		Finance	Health & Safety & Fire Safety Board; Safety Supporters Forum; CPG		H&S Executive (inc. unannounced inspections)
Human Resources		HR & Organisational Development	Directors Strategy Group (DSG); CMB		Unions
ICT		IT & IS	IT & IS Infrastructure Board; Information Governance Board (IGB); CMB		Public Services Network (PSN)
Information Governance		Law & Governance	Information Governance Board (IGB)		Information Commissioner
Partnerships		Policy & Research	Various – including service/partnership specific boards e.g. BCP/BH Live Strategic Partnership Board; CMB		
Procurement		Finance	SOG		

Project & Programme Management		IT & IS	Project specific boards e.g. Mosaic; Transformation Programme Board; CMB; Infrastructure Programme Board		
Risk Management		Finance	DSG; CMB		External Audit (GT) *
Safeguarding		Adult Social Care; Children's Services	Safeguarding Boards (Adults & Children's); CMB		Care Quality Commission; Ofsted
Sustainable Environment		Environment	Currently being developed, A&G presentation in Dec 22 outlined the aspirations; CMB		

*It is not the External Auditor's (Grant Thornton) primary role to provide assurance on the adequacy of key assurance functions. Nevertheless, through their auditing of the statement of accounts and in providing their value for money opinion, a form of external assurance exists across a number of functions, most notably those marked with an asterisk.

AUDIT AND GOVERNANCE COMMITTEE

Report subject	Internal Audit - Quarterly Audit Plan Update
Meeting date	12 January 2023
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2022/23 Audit Plan for the period October to December (inclusive) 2022. The report highlights that:</p> <ul style="list-style-type: none"> • Eleven audit assignments have been completed, ten 'Reasonable' audit opinions and one 'Partial' audit opinion; • Twenty two audit assignments are in progress; • Implementation of audit recommendations is satisfactory and none have required escalation to Audit & Governance Committee; • Through careful management of resource on the high risk areas in the Audit Plan the Chief Internal Auditor is still expecting to provide the annual overall opinion on the internal control environment.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee note progress made and issues arising on the delivery of the 2022/23 Internal Audit Plan.</p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2022/23 Internal Audit Plan.</p> <p>To ensure Audit & 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 & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk</p>
Wards	Council-wide
Classification	For Decision and Information

Background

1. This report details Internal Audit's progress against the 2022/23 Audit Plan for the period October 2022 to December 2022 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 2022/23 Internal Audit Plan – Quarter 3 review

3. Eleven audit assignments have been fully completed in this quarter of 2022/23 (Oct-Dec 22) as outlined below.

2022/23 Audits Completed

	Service Area	Audit/Scope	Assurance Opinion	Recommendations		
				High	Med	Low
1	Children's Services	The Priory School <ul style="list-style-type: none"> ➤ Governance, Budgeting, Purchasing, Income & Banking, Payroll, Voluntary funds, Asset Management & Insurance ➤ Compliance with Financial Regulations, and other instructions 	Reasonable	0	5	3
2	Children's Services	Purchasing Cards <ul style="list-style-type: none"> ➤ The issuing/cancellation of cards ➤ Expenditure is reviewed and approved ➤ Lost/ Stolen cards promptly cancelled ➤ Expenditure compliant with Financial Regulations ➤ Fuel card usage is controlled 	Reasonable	0	8	1
3	Destination & Culture	Seafront Cash Checks <ul style="list-style-type: none"> ➤ Arcade Float fully accounted for and associated controls and processes are operating effectively 	Reasonable	0	1	1
4	Education	Alternative Provision <ul style="list-style-type: none"> ➤ Governance of Alternative Provision ➤ Placement planning ➤ Placement processes ➤ Placement completion ➤ Funding ➤ Contract monitoring 	Partial	5	4	0
5	Finance	Insurance <ul style="list-style-type: none"> ➤ Follow up of previous audit report recommendations 	Reasonable	0	1	1
6	Finance	Business Continuity (Core KAF) <ul style="list-style-type: none"> ➤ Strategic/operational oversight ➤ Definition, support & monitoring of specific roles inc. Gold and Silver officers ➤ Policy, strategy and guidance documents ➤ Provision and monitoring of training ➤ Business Impact Assessment & Service Response Plans ➤ Corporate business continuity and emergency plans 	Reasonable	0	1	1

		➤ Joint business continuity and emergency planning arrangements with partners				
7	Finance	Main Accounting System & Financial Management <ul style="list-style-type: none"> ➤ External Audit Recommendations ➤ Journal Management & Approval ➤ Feeder system integrity ➤ Suspense accounts review & clearance ➤ Bank reconciliation ➤ Financial Planning & Budget Setting ➤ Budget Monitoring & Reporting 	Reasonable	0	2	1
8	Finance	Anti-Money Laundering Requirements (Counter Fraud) <ul style="list-style-type: none"> ➤ The Council discharges its obligations ➤ Employees discharge their obligations 	Reasonable	0	1	1
9	Finance	Housing Benefits <ul style="list-style-type: none"> ➤ Legislative Requirements ➤ New Claims Processing ➤ Changes in Circumstances ➤ Payment/Overpayments ➤ Reconciliations 	Reasonable	0	0	3
10	Housing	Trade Card Accounts <ul style="list-style-type: none"> ➤ Financial Regulations not complied with ➤ Loss/theft of responsive repairs materials ➤ Accounts not used for personal benefit 	Reasonable	0	1	1
11	Law & Governance	Declaration of Interests (Councillors) <ul style="list-style-type: none"> ➤ Guidance in place ➤ Declarations made in accordance with legislation and best practice 	Reasonable	0	1	1
Total Recommendations				5	25	14

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:

Education – Alternative Provision

Nine recommendations (5 high, 4 medium) were made in this Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Placement planning: Inadequate arrangements in place to ensure needs assessments have always been carried out and reviewed for placements commissioned by the Council (High Priority)
- Placement processes: The reasons why young people are not always being placed into Alternative Provision within the statutory six day timescale have not been explicitly researched (High Priority); The monitoring of Alternative Provision education quality is limited (High Priority)

- Funding: There are discrepancies between the data held on the High Needs Spreadsheet and related Social Care systems which could lead to incorrect payments to a provider, although in testing none were identified (High Priority)
- Contract monitoring: Block funding of placements at settings requires reviewing to demonstrate value for money (High Priority)
- Governance of Alternative Provision: There is limited reporting of Alternative Provision performance information relative to targets or baseline information (Medium Priority)
- Placement Planning: There is no documented authorisation from Inclusion Service for Alternative Provision placements (Medium Priority); there is no Alternative Provision Admissions Policy in place in line with statutory guidance (Medium Priority)
- Placement completion: No target or monitoring on the rates of reintegration of young people back into mainstream education is in place (Medium Priority)

Recommendations to address the issues have all been agreed with management and target dates have been set to ensure implementation.

5. There were no 'Minimal' assurance audit reports issued during the quarter. The status of other audits in progress (Oct-Dec 2022) is outlined below:

2022/23 Audits In Progress

	Service Area	Audit	Progress
1	Adult Social Care	Social work Standard of Practice and Professional Leadership	Draft
2	Children's Services	Burton Primary School	Draft
3	Children's Services	Information Governance (KAF)	Draft
4	Policy & Research	Business Planning & Performance (core KAF)	Draft
5	Environment	Climate and Ecological Action and Sustainable Environment (KAF)	Draft
6	Adult Social Care	Financial Management (KAF)	Draft
7	HR & Organisational Development	Human Resources (KAF)	Draft
8	Planning	KAFs Overview	Fieldwork
9	IT & IS	IT Infrastructure & Hardware Procurement & Asset Management and ICT KAF	Fieldwork
10	Various	Grant Award (Counter Fraud)	Fieldwork
11	PMO & Major Change	Project & Programme Management	Fieldwork
12	Delivery of Regeneration	Governance Review	Fieldwork
13	Corporate	Partnerships (KAF) – Consultancy Review	Fieldwork
14	Children's Services	Financial Management (KAF)	Fieldwork
15	Destination & Culture	Leisure Contract Management	Fieldwork
16	Destination & Culture	Major Events Governance	Fieldwork

17	IT & IS	IT Risk Review (specialist review)	Fieldwork
18	Law & Governance	Procurement & Management of External Legal Advice	Fieldwork
19	Transport & Engineering	SEND Passenger Transport	Scoping
20	Housing	Right to Buy (Counter Fraud Review)	Scoping
21	Adult Social Care	Direct Payments	Scoping
22	Transport & Engineering	Health & Safety (CDM Regulations)	Scoping

**2022/23 Audits Planned for Quarter 4
(Jan-Mar 23) - Provisional**

	Service Area	Audit
1	Adult Social Care	Managing Other People's Money (delayed from Quarter 3)
2	Adult Social Care	Partnerships (KAF) (delayed from Quarter 3)
3	Adult Social Care	Brokerage Procurement
4	Adult Social Care	Corporate Safeguarding (KAF)
5	Children's Services	Business Planning & Performance Management (delayed from Quarter 3)
6	Children's Services	Highcliffe St Mark School
7	Children's Services	St Joseph's Catholic School
8	Communities	Safeguarding (delayed from Quarter 3)
9	Communities	Asset Management – Health & Safety Compliance
10	Customer & Business Delivery	Customer Service (Reorganisation of Services)
11	Customer & Business Delivery	Asset Management (Facilities Management) (KAF)
12	Customer & Business Delivery	Fire Safety
13	Development	Economic Development Strategy Review
14	Development	Asset Management (Estate Management) (KAF)
15	Environment	Bereavement Services (including Coroner)
16	Finance	Criminal Finances Act Requirements (Counter Fraud)
17	Finance	Risk Management (KAF) (delayed from Quarter 3)
18	Finance	Health & Safety (KAF)
19	Finance	Procurement (KAF)
20	Housing	New Housing Management Model Governance Review (BCP Homes)
21	Housing	Housing Rents (KFS)
22	Housing	Housing Tenancy (Data Matching Counter Fraud)
23	Law & Governance	Information Governance (KAF)
24	Planning	Contributions

2022/23 Audit Plan Changes

	Service Area	Audit	Comment/rationale
1	HR & Organisational Development	Recruitment & Retention of Staff	Postponed until 2023/24 due to current HR team priority work on new HR system (due to be implemented April 2023). Assurance provided on retention element through review of honorariums and market supplements in 2022/23 Payroll audit.

Significant Issues Arising and Other Work

6. A light touch review of government issued guidance on the making and disclosure of special severance payments was carried out. The statutory guidance sets out the government's view that special severance payments do not usually represent value for money and should only be considered in exceptional circumstances.
7. Reasonable arrangements are in place to support the decision making process over settlement agreements in BCP. Actions have been agreed to produce a new 'decision record' to cover all potential types of special severance payments (including settlement agreements), include reference to the new guidance 'exceptional circumstances' and also to follow the recommended officer/member approval process for any payments over £20k.
8. Following a minor service restructure and internal promotion, temporary cover to assist with the completion of the 2022/23 Audit Plan was obtained using the Council's corporate agency contract. This placement has subsequently ceased and recruitment to the vacant Auditor post is underway. This post is being recruited to ensure the service can provide necessary assurance on the Council's internal control environment and has passed through the Council's internal governance controls where the need for posts to be filled is robustly challenged.
9. The delay in recruiting to the vacant auditor post will result in a lower level of overall audit days available within the Plan. The reduced resource of approximately 250 days has been managed through careful reduction of days on individual audits across high risk/key financial systems/key assurance functions alongside postponing some audits to 2023/24 on a risk basis.
10. As previously reported, with careful management of reduced resource on the high risk areas in the Plan, this is not expected to impact significantly on the ability of the Chief Internal Auditor to provide the annual overall opinion on the internal control environment, subject to no significant other work such as a large investigation occurring.

Recommendations Implementation

11. The 2022/23 Audit Charter requires all High Priority recommendations that have not been implemented by the agreed target date to be reported/escalated to the Audit & Governance Committee. There were no 2022/23 Audit Plan High Priority recommendations that required follow up during the period (in line with the agreed action plan) and therefore none have required escalation.
12. The 2022/23 Audit Charter also requires any management proposed revisions to the implementation dates of Medium Priority recommendations to be agreed by the Chief Internal Auditor. The Chief Internal Auditor is required to report to Audit & Governance Committee any such requests considered unreasonable and for the service to provide an explanation. There are no such instances this quarter.

13. Work is still ongoing to use a new Microsoft technology application to provide real time management information on recommendation status for both clients and other stakeholders. This will now form part of a new audit management system using Microsoft Dynamics which is due to be implemented from 1 April 2023.

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 2022/23 is £717,100 (unadjusted for recent final pay award) 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). The budget cost above is inclusive of the Head of Audit & Management Assurance who manages other teams.
16. The Internal Audit Team is managing the vacancy of an Auditor post following a minor service restructure. The recruitment to the post was temporarily ceased in line with recruitment revised control measures however the process has now begun again. This is likely to result in a minor service underspend for the year.

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 2022/23 financial year however, as outlined above, the budgeted establishment will not be in place for the full year. The slightly lower team FTE has been part covered through the temporary use of Council's corporate agency contract.

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

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Forward Plan - Refresh
Meeting date	12 January 2023
Status	Public Report
Executive summary	This report sets out the reports to be considered by the Audit & Governance Committee for the 2022/23 municipal year in order to enable it to fulfil its terms of reference.
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee approves the forward plan set out at Appendix A.</p>
Reason for recommendations	To ensure that Audit & Governance Committee are fully informed of the reports to be considered during 2022/23.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk</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 'Ad Hoc/Other Reports' or 'Presentations' sections of the Forward Plan, Appendix A. These additional reports/presentations are made available to the public with the meeting minutes.

Options Appraisal

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

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

12. 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 2022/23

Audit & Governance Committee – Forward Plan 2022/23

REPORT	28 JUL 2022	8 SEP 2022 (extra)	20 OCT 2022 (extra)	27 OCT 2022	1 DEC 2022 (extra)	12 JAN 2023	Was 16 MAR 2023 (extra)	Was 13 APR 2023
<i>Last two meetings of the municipal year are rearranged to not fall within the purdah period for local elections 2023</i>							Now 16 FEB 2023 (extra)	Now 9 MAR 2023
ANNUAL REPORTS								
Statement of Accounts 2020/21 & 2021/22							✓ As timings require	
Annual Governance Statement 2021/22 and Annual Review of Local Code of Governance (1 update on Action Plan only)	✓					✓ ₁		
Chief Internal Auditor's Annual Opinion Report 2021/22	✓							
Annual Breaches & approved Waivers of Financial Regulations Report 2021/22	✓							
Annual Review of Declarations of Interests, Gifts & Hospitality by Officers 2021/22	✓							
Use of Regulation of Investigatory Powers Act and Investigatory Powers Act Annual Report 2021/22	✓							
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2021/22				✓				
Emergency Planning & Business Continuity Update				✓				
Health & Safety and Fire Safety Update				✓				
Treasury Management Strategy Refresh/Approval for next financial year (2 combined report with TM monitoring report)						✓ ₂		
Assurance Framework & Internal Audit Planning Consultation						✓		
Information Governance Update								✓
Internal Audit Charter & Audit Plan for next financial year								✓
ANNUAL OR PERIODIC POLICY UPDATES								
Annual evolution of Policies for 2023/24: - Whistleblowing - Anti-Fraud and Corruption - Declaration of Interests, Gifts & Hospitality - Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA)							✓	
Financial Regulations - annual evolution for 2023/24.							✓	
QUARTERLY / HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update	✓			✓		✓		✓
Risk Management – Corporate Risk Register Update	✓			✓		✓		✓
Forward Plan (refresh)	✓			✓		✓		✓
Treasury Management Monitoring Report (2 combined report with TM strategy/refresh report)	✓			✓		✓ ₂		
AD HOC / OTHER REPORTS								
Review of the Council's Constitution – Recommendations of the Constitution Review Working Group				✓				
Risk Management Arrangements Review					✓			
PRESENTATIONS (rather than formal reports)								
<i>Presentations to be agreed during the year</i>								
Insurance Arrangements Review		✓						

Update on Corporate Risk 9 (Maintain a safe and balanced budget for the delivery of services)			✓					
Update on Corporate Risk 13 (Deliver the transformation programme)			✓					
EXTERNAL AUDITS REPORTS								
External Auditor – Audit Plan 2021/22 (s 2022/23)				✓				✓ ₃
External Auditor – Audit Findings Report 2020/21 & 2021/22							✓ As timings require	
External Auditor – Auditors Annual Report 2020/21 (4 2021/22)			✓				✓ ₄ As timings require	
External Auditor – Audit Progress & Sector Update	✓			✓		✓		✓