

Notice of Audit and Governance Committee

Date: Monday, 27 January 2025 at 6.00 pm

Venue: HMS Phoebe, BCP Civic Centre, Bournemouth BH2 6DY



Membership:

Chair:

Cllr M Andrews

Vice Chair:

Cllr E Connolly

Cllr S Armstrong
Cllr J Beesley
Cllr P Broadhead

Cllr M Phipps
Cllr V Slade
Cllr M Tarling

Cllr C Weight

Independent persons:

Lindy Jansen-VanVuuren

Samantha Acton

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=6259>

If you would like any further information on the items to be considered at the meeting please contact: Jill Holyoake on 01202 127564 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

17 January 2025

**DEBATE
NOT HATE**



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
(janie.berry@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 and sign as a correct record the minutes of the meeting held on 28 November 2024.

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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 midday on Tuesday 21 January 2025 [midday 3 clear working days before the meeting].

The deadline for the submission of a statement is midday on Friday 24 January 2025 [midday the working day before the meeting].

The deadline for the submission of a petition is Monday 13 January 2025 [10 working days before the meeting].

ITEMS OF BUSINESS

6. Statement of Accounts 2023/24

The External Auditor will provide a verbal update on progress. The written report will now be considered by the Committee at its 27 February meeting.

7.	<p>Treasury Management Monitoring report for the period April to December 2024 and Treasury Management Strategy 2025/26</p> <p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2024 to 31 December 2024. A deficit of £2.2m is being forecast for the 2024/25 financial year as the Council continues to borrow to fund the accumulating deficit on its Dedicated Schools Grant (DSG) as pertaining to the excess special educational needs and disability service (SEND) revenue expenditure over the DSG High Needs block grant. Borrowing is also at higher-than-expected interest rates due to volatility in current debt costs.</p> <p>This report also presents the Treasury Management Strategy for 2025/26 with the relevant detailed strategy and the associated policies and practices document included as appendices. It should be highlighted the strategy inclusion of an assumption that Council, as part of the 2025/26 Budget setting process, will agree to a £60m SEND capitalisation direction to enable the forecast excess high needs expenditure in 2025/26 to be financed.</p>	19 - 86
8.	<p>Increased Borrowing - Hawkwood Road and Housing Delivery Council Newbuild Housing and Acquisition Strategy (CNHAS)</p> <p>To consider and recommend to Council, the 10 December Cabinet reports for Hawkwood Road and CNHAS Harbour Sail acquisition which seeks additional borrowing as part of the proposals.</p> <p>It is for Audit and Governance to be satisfied that the business cases are robust enough to generate resources to satisfy the associated debt repayments.</p> <p>PLEASE NOTE Should the Committee wish to discuss the detail of the exempt appendix the Committee will be asked to consider the following resolution to move into exempt session:</p> <p>"That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 in Part I of Schedule 12A of the Act and that the public interest in withholding the information outweighs such interest in disclosing the information."</p>	87 - 92
9.	<p>Risk Management - Corporate Risk Register Update</p> <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"> • All Corporate Risks were reviewed during the quarter. • CR24 – We may fail to adequately address concerns around community safety and environmental impacts. The risk owner has been updated for this risk. This risk is also to be split to separately identify a risk around environmental impact. • Key Assurance Risk Registers and Director Level Risk Registers were 	93 - 166

reviewed during the quarter.

- A service update is provided.

Material updates for this quarter are outlined in sections 11.

10. Annual Governance Statement 2023/24 - Action Plan Update

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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 2023/24 AGS.

Progress against the agreed action plan is as follows:

Best Value Notice – the Government has lifted the Best Value notice.

Dedicated School Grant (DSG) - The DSG deficit continues to increase, with the accumulated DSG deficit assumed to be £63.5m on 31 March 2024, £108m on the 31 March 2025, and £165.5m on the 31 March 2026. As part of a precursor to a s114 report the Director of Finance wrote to MHCLG in May 2024 to seek advice on how a legally balanced budget for 2025/26 can be set when it will be unable to settle the bills for DSG high needs expenditure. The conversation is ongoing with the possibility of a capitalisation direction being explored.

Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024 – SEND

Improvement Plan continues to be delivered and progress monitored by the SEND Improvement Board and reported to Children's Services Overview & Scrutiny Committee. Significant progress is being evidenced.

Delay in the completion of the previous years' External Audit -

The 2023/24 Statement of Accounts (SoA) is being audited now and will be brought to this Committee for approval together with the Audit Findings Report to the next meeting of this Committee on the 27 February 2025.

Mandatory Training – the actions identified have been rolled out and completion rates had increased to 84% as of January 2025.

11. Assurance Framework & Internal Audit Planning Consultation 2025/26

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To comply with the Global Internal Audit Standards and the public sector Application Note and to ensure early consultation with the Audit & Governance Committee, This report outlines the BCP Assurance Framework and the 2025/26 Internal Audit Plan proposed approach.

The Assurance Framework (Appendix A) has been updated with some minor changes to reflect current organisational structure and governance arrangements.

The proposed 2025/26 Internal Audit Plan approach shows the amount of resource required to provide core audit & assurance work (includes high level risks, key assurance functions and key financial systems audits). Other work (includes investigations) is also planned to be carried out alongside corporate assurance (includes corporate fraud) and governance

work (includes annual governance statement).

The primary change for the 2025/26 Audit Plan is a slight reduction in resources due to decreasing audit apprentice positions from three to two during the year, offset by adding two career auditor roles. However, available time for Core Audit & Assurance work has increased due to the transfer of the council tax single person discount project and reduced apprentice training.

The proposed work in the draft 2025/26 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual conclusion on the Council's governance, risk management and control arrangements.

12. Internal Audit - 3rd Quarter, 2024/25, Audit Plan Update

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This report details progress made on delivery of the 2024/25 Audit Plan for the 3rd quarter (October to December 2024 inclusive). The report highlights that:

- 14 audit assignments have been finalised, including 11 'Reasonable' and 3 'Partial' audit opinions;
- 25 audit assignments are in progress, including 3 at draft report stage;
- Progress against the audit plan is on track and will be materially delivered to support the Chief Internal Auditor's annual audit opinion;
- Total additional council tax yield of £654,042 has resulted, to date, from the Single Person Discount pilot project;
- 8 'High' priority audit recommendations have not been fully implemented by the original target date. Explanations from respective services have been provided and revised target dates have been agreed.

13. Forward Plan - Refresh for the 2024/25 municipal year

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This report sets out the refreshed list of reports to be considered by the Audit & Governance Committee for the 2024/25 municipal year in order to enable it to fulfil its terms of reference.

No other items of business can be considered unless the Chair 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 28 November 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chair

Present: Cllr S Armstrong, Cllr J Beesley, Cllr J Clements (In place of Cllr M Tarling), Cllr M Phipps, Cllr T Trent (In place of Cllr V Slade), Cllr C Weight and Samantha Acton

Present virtually: Cllr E Connolly, Lindy Jansen Van-Vuuren

Also in attendance: Cllr M Cox, Cllr M Howell, Cllr L Northover

48. Apologies

Apologies were received from Cllr V Slade and Cllr M Tarling.

49. Substitute Members

Notification was received that Cllr T Trent and Cllr J Clements were substituting for Cllr V Slade and Cllr M Tarling respectively.

50. Declarations of Interests

Agenda Item 9 - Governance surrounding the disposal of Council land and property: For transparency purposes Cllr M Andrews reported that he was employed by commercial property surveyors.

51. Confirmation of Minutes

The minutes of the meeting held on 17 October 2024 were confirmed as an accurate record for the Chair to sign.

The Chair confirmed that the suggestion to include an action tracker alongside the minutes had been noted.

Note: Cllr J Beesley asked to be recorded as abstaining from voting on 17 October and 5 September 2024 minutes.

52. Public Issues

Public Questions received from Mr Alex McKinstry in relation to Agenda item 6 – Statement of Accounts 2022/23

Question 1

Did Grant Thornton receive any extra payment for the feedback it provided relating to the 2022 budget (and in particular, the beach hut scheme that underpinned it)? If so, what was the amount paid? Can you also confirm whether GT's advice was presented in a report or paper of any description, and if so, what was the date of any such document?

Response:

Grant Thornton's 2020/21 Audit Findings Report finalised on 2 March 2023 included a final fee for the audit. Within this it included additional fees for value for money work for the year totalling £20,000 which covered a whole raft of additional value for money work undertaken in the year based on a number of risks identified by the auditor. This additional work included work on the proposed beach hut scheme and discussions with DLUHC on BCP's proposal, but also included significant work on numerous other areas to conclude their work. There was not an individual amount for the beach hut scheme work in isolation. In terms of Grant Thorntons advice, they cannot provide advice to the Council as this would compromise their independence. If they had concerns about any potential decision, they would raise it with officers, but it is ultimately a decision for the Council. The 2020/21 VFM report of the 28 September 2022 details their consideration of the potential beach hut scheme.

Question 2

Regarding the controversial 2023 budget amendment, which was never in fact put forward: what exactly was this proposal, and what were the elements that made it "innovative and high-risk"? We know the then-Leader had a specific scheme in mind because it is described, on p. 60 of tonight's reports pack, as "a proposed income strip of a Council-owned asset" that would have generated a capital receipt *and* revenue stream. Was any file note or memorandum made of the meeting between Peter Barber, Graham Farrant and Adam Richens on 13 January 2023 where this scheme was discussed; and were any concerns relayed to Lee Rowley, Minister of State at DLUHC, who rang Drew Mellor at 1.30 pm on 19 January 2023 (seemingly out of the blue) and wrote to him six days later cautioning against a "commercial scheme that carries risk"?

Initial response:

This question is not straight forward and will take longer than the relatively short period of time between the submission of the question and this meeting to prepare a response. The intention is to include a detailed response with the minutes of this meeting.

Full response:

As set out in the 2022/23 Value for Money report of the External Auditor the proposal which was not formally put forward was a possible income strip of a Council-owned asset. In an income strip, a Council typically sells a long leasehold interest in an asset while retaining ownership of the freehold. The Council receives a substantial upfront payment, normally as a capital receipt, and then leases back the property, making annual lease payments indexed to inflation. Such agreements typically include a buy back option at the end of the lease period for a nominal sum and allow a Council to swap

its future income for an upfront capital receipt. The then Leader of the Council was proposing to use some or all of the upfront payment on an income strip to support the revenue budget for 2023/24. No detailed business case had been presented to Cabinet or Council in support the proposal. The Council was at that time part of the Government's Exceptional Financial Support programme and had given the Ministry of Housing, Communities and Local Government (MHCLG) assurances that it would produce its 2023/24 budget based on traditional and conventional approaches to local government finance. The Council Director of Finance issued a warning in a presentation to all Councillors on 18 January 2023 that he would not sign off the budget if this proposal was put forward by the administration as an amendment to its own proposed budget for 2023/24. The External Auditor, Peter Barber, had been previously notified on the 13/1/23 of the proposal by the Director of Finance and Chief Executive, and MHCLG were also informed of the proposal by the Chief Executive on 13 January 2023 in a Teams meeting. It is understood that both a minister of MHCLG and the External Auditor then made direct contact with the then Leader of the Council setting out their own concerns with the proposal.

As a footnote can I remind the committee that this proposal was never implemented and does not relate to the current 2024/25 approved budget or the developing proposals for the 2025/26 budget of the Council. Can I also remind the committee that they have already received and accepted the 2023/24 Value for Money report of the External Auditor (A&G Committee 25 July 2024) which brought their assessment up to date and set out the improvement from that reported for 2022/23.

Question 3

This relates to the Council's sale of assets in 2022-3, though it also overlaps Item 9, matters of governance concerning land disposals. Is there anyone still around who can explain why the Airfield Industrial Estate at Christchurch was divided into lots prior to being approved for sale by full Council on 10 January 2023, whereas the Wessex Trading Centre and the trading estate at Willis Way were not? Just in case the answer involves value for money considerations: the guide price for "Lot 54" on the Airfield Estate (as the agent dubbed it) was reduced from £510,000 to £275,000 in the week prior to the auction; and since this was an auction, bidding would have presumably started much lower.

Response:

The units at Airfield Industrial Estate were divided into lots because they are separate buildings/ plots spread out over the estate served by an adopted highway and the recommendation from the valuer that undertook the Red Book valuation was to dispose of them separately to realise the highest aggregate price. Wessex Trade Centre on the other hand is an industrial estate where the 57 units in 8 terraces are intrinsically physically linked to each other being served of a private service road system. They share the same access and the common parts are managed via a central service charge.

Public statement received from Susan Stockwell in relation to

Agenda item 9 – Governance surrounding Disposal of Council land and property

Could disposal include entering into contracts for options to purchase as well as outright disposal.

Public statement received from Philip Gatrell in relation to Agenda Item 7 – Review of the Council’s Constitution

Agenda Item 7 includes the following Constitution Review Working Group Recommendations:

(d) Appointment of Committee Member to ... Review Working Group

The Recommendation has complementary practical merit, given the precursory nature of Review Group input regarding this Committee’s Constitutional regulatory function “... to consider any issue of Council non-compliance with its own and other relevant published regulations ...”.

(e) “ ... necessary and consequential ... updates and revisions ... delegated to ... Monitoring Officer”

This highlights a continuing misleading oversight in the Constitution concerning misstatements of the Monitoring Officer’s reporting duties under Sections 5 and 5A of the Local Government and Housing Act 1989 (1989 Act).

Any residual doubts are dispelled by this resident’s progressive public statements to the Committee on 11 April, 25 July and Council on 20 February, 23 July, 15 October 2024.

The correction is mandatory not delegated. Nor is it contentious in view of the unambiguous legislation and Ms Berry’s conformity as stated in Birmingham Council’s Constitution during her tenure.

Public statement received from Philip Gatrell in relation to Agenda Item 8 – Transparency of officer decision making and accountability to Councillors

Ensuring the transparency and accountability stated at Agenda Item 8 is the responsibility of the “1989 Act” triumvirs comprising Chief Executive, Monitoring Officer and Director of Finance.

Since 1 April 2019 those Officers’ statutory and contractual responsibilities have been skirted by:

- Resisting correct and full statement in the Constitution concerning Monitoring Officers’ 1989 Act reporting of contraventions of law; maladministration; service failures. Those immutable duties require the minimal text explained in my previous public statements.
- Obscuring Councillors’ awareness of Officers’ defective decision making thus also their performance and accountability. When, for example, 1989 Act reports have hitherto been omitted - with the single exception of a “Section 5” report arduously coaxed out by this resident.

The current Monitoring Officer appointed in December 2023 will naturally - by statutory duty without fear or favour - action without delay the correct practices identified above.

Accordingly, systemic weaknesses must not continue unbridled by Councillors aware of accruing significant failings.

Public statement received from Alex McKinstry in relation to Agenda Item 6 – Statement of Accounts 2022/23

I was disappointed at Grant Thornton's refusal to issue a public interest report following the failure, by officers, to provide accounting records during the 2022 and 2024 statutory inspection periods. This in turn deprives an elector of his right to examine, query, or object to the accounts, rights conferred by Sections 26 and 27 of the Local Audit and Accountability Act. These rights, moreover, are valuable, as an auditor cannot study every transaction made by a local authority; and especially valuable against the backdrop of 2020-3, the abyssal period of BCP's governance. (The incarnadine caveats swathing page 35 of tonight's paperwork - "Value for money arrangements: Auditor judgment" - support this.) I do note however Grant Thornton's concession, in their letter to me of 8 November, that "were the issue that you have identified ... to persist in future years, then we may consider it appropriate to investigate further."

Public statement received from Alex McKinstry in relation to Agenda Item 9 - Governance surrounding Disposal of Council land and property

The committee heard on 17 October that leaks of exempt information, and associated risk management, might be incorporated into tonight's presentation. Further information has emerged since then. There is no doubt, for instance, that the leak to the Echo concerning Wessex Fields came from a councillor, not an officer; this is supported by the MO's email to all members sent on 1 May (11.44 am) in the wake of that divulgence. There is no doubt either that the Echo's initial claim, that the site was being sold at an undervalue, was totally untrue. This is supported by other correspondence including a stinging email to Tobias Ellwood from the Chief Executive on 25 May, obtained under FOI). Let's get these facts out there. The Wessex Fields leak was clearly a malicious attempt to taint the administration via misinformation, and the culprit is unfit for office.

53. Statement of Accounts 2022/23

Peter Barber, representing Grant Thornton, the Council's External Auditor, presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

The Committee was required to consider and approve the draft statement of accounts for 2022/23 before they were published. Mr Barber summarised the key points detailed in his letter, dated 12 November 2024, regarding the conclusion of the audit for 2022/23. The letter included the reasons why it was not possible to complete the audit for 2022/23 by the statutory backstop date and the proposal to issue a disclaimer. It was noted that the Value for Money (VFM) work for 2022/23 previously reported to the Committee had been fully discharged and was recirculated at appendix 3.

In response to questions Mr Barber assured members that a full audit for 2023/24 had been undertaken and was on track to meet the February 2025 deadline. Regarding previous delays, he confirmed that Dorset Pension Fund was aware of the importance of issuing its letter of assurance to ensure the completion of the 2023/24 audit. It was aimed to get this letter

before Christmas 2024. He clarified that the significant weaknesses listed in the draft audit report at appendix 2 had already been identified and reported to the Committee previously as part of the VFM work. In respect of the statement of accounts for 2022/23, the Assistant Chief Financial Officer wished to assure members that the Council's usable reserves had not changed as a result of subsequent decisions taken by Cabinet and Council.

A concern was raised regarding the total estimated figure for the Transformation Investment Programme, as shown in the statement of accounts, and whether there were any tangible benefits from the public's perception. The Chief Executive referred to the regular updates provided on the transformation programme. He advised that a completion report was due to be submitted to O&S and Cabinet in January 2025, which would include the levels of expenditure and savings over the programme's lifespan.

The Committee was advised that the issues raised in the report related to the 2022/23 financial position and that the position for 2023/24 and the current year to date reflected the positive changes made, as reported at previous meetings. Members acknowledged the progress made in addressing the significant weaknesses identified in the report and it was recognised that the matters identified were known issues. For example, Members were well aware of the Dedicated Schools Grant. The forthcoming update on the transformation programme was noted and may be something for the committee to review in due course. There was now a need to look to the future. However, this did not mean that past issues, such as FuturePlaces, should be overlooked or that issues from the 2022/23 financial year should not be considered where there were lessons to be learnt, perhaps as part of wider look at decisions made at that time where there were costs involved and longer term implications.

The Committee considered a proposal to undertake an investigation into FuturePlaces. Members discussed the need to scope the investigation as widely as possible, invite member input into the scoping process and ensure all evidence requested was available. The Committee considered a suggested format for the investigation and felt that while the initial scoping/briefing may or may not be done informally, there needed to be a discussion in the public domain. The Chief Executive responded to a question about how much was already known in terms of lessons learnt, bearing in mind the amount of time and resources an investigation might require. He felt that the key lessons had been learnt. He referred to the internal and external reviews of corporate governance and company shareholder governance processes and the actions arising from the Best Value Notice which had all been complied with. There was some value in terms of councillor engagement and in public discussion.

The Committee requested that a briefing/investigation on FuturePlaces be added to the Forward Plan. Members could then discuss in more detail how to deal with the investigation as part of the Forward Plan agenda item at its next meeting.

RESOLVED that the Committee:

- a) Notes the ISA260 Audit Finding report letter sent to the Chair of Audit and Governance Committee (appendix 1);**
- b) Notes the draft audit report for 2022/23 (appendix 2) which auditors will sign as soon as possible by the deadline of 13 December 2024;**
- c) Notes the Value for Money report 2021/22 and 2022/23 previously presented to Audit and Governance on the 7 September (appendix 3);**
- d) Approves the signing of the Statement of Responsibilities and the Letter of Representation by the Chair of the Audit & Governance Committee and the S151 Officer (appendix 4);**
- e) Approves the 2022/23 statement of accounts 2022/23 (appendix 5).**

Voting: For – 5, Against – 0, Abstain – 2

As a result of the discussion on Future Places, the Committee took a separate vote on the following resolution:

RESOLVED that a briefing/investigation on Future Places be added to the Committee's Forward Plan

Voting: For – 5, Against – 1, Abstain – 1

54. Review of the Council's Constitution - Recommendations of the Constitution Review Working Group

The Chair of the Constitution Review Working Group presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

The report provided a summary of the issues considered by the Constitution Review Working Group and set out a series of recommendations arising from the Working Group for consideration by the Committee. The recommendations related to the arrangements at Council for a separate budget meeting and the scheme of delegation for the planning committees. It was noted that any recommendations arising from the Committee would be referred to full Council for adoption. In addition, the report sought the appointment of an additional member of the Committee to serve on the Constitution Review Working Group.

Issue 2 – Part 3A Responsibility for Functions – Planning Committee:

The Director of Planning and Transport provided an explanation for the changes proposed to the functions of the planning committees as set out in paragraphs 20 to 27 of the report. The changes had been incorporated into an updated version of Part 3A of the Constitution at appendix 2. Members

discussed at length the proposed change to section 2.3.7 (a) of Part 3A in relation to one of the criteria for councillor call in. As written, Members felt that the criteria requiring an application to raise material planning issues ‘that affect their ward’ was too restrictive, as this could be read to mean the whole of the ward which would rarely apply. Members agreed that the reference to material planning issues was key and that the term ‘potentially contentious’ was not required. However, Members felt that call in should be permitted where only part of their ward, however small, was affected.

A move to amend the wording of section 2.3.7 (a) to read as follows was seconded and carried:

“in the opinion of the Councillor making the request, the application raises material planning issues that affect **part or all of their ward** or would affect the wider public interest that would warrant debate and consideration by a planning committee; and”

Voting: For – 6, Against – 0, Abstain – 1

Issue 1 – Part 2, Article 4 (The Full Council) – Budget Meeting:

The Chair of the Working Group referred to recommendations (a) and (b) in the report and outlined the reasons for the proposed new Budget Council as set out in paragraphs 9 to 12. She assured Members that the review of other matters around full council meetings was ongoing. Committee members spoke in support of introducing a dedicated council meeting to consider the budget items.

RECOMMEND TO COUNCIL that:

- (a) in relation to Issue 1 (Article 4 – The Full Council) the proposed amendments to Part 2, Article 4 (The Full Council), as set out in Appendix 1 to the report, be approved;**
- (b) that the Council meeting scheduled for Tuesday, 25 February 2025 be designated as the Annual Budget Council Meeting and that an additional ordinary meeting of Council be scheduled for Tuesday, 11 February 2025 at 7.00pm;**
- (c) in relation to Issue 2 (Part 3A Responsibility for Functions – Planning Committee) the proposed amendments to Part 3A (Responsibility for Functions), as set out in Appendix 2 to the report, be approved, subject to the addition of the words ‘part or all of’ in section 2.3.7 (a) to read:**

“in the opinion of the Councillor making the request, the application raises material planning issues that affect part or all of their ward or would affect the wider public interest that would warrant debate and consideration by a planning committee; and”

any necessary and consequential technical and formatting related updates and revisions to the Constitution be delegated to the Monitoring Officer.

Note – Recommendation (d) in the report was a resolved matter by the Committee as follows:

RESOLVED that the Committee appoints Cllr Sara Armstrong to serve on the Constitution Review Working Group.

Voting: Unanimous

55. Presentation - Transparency of officer decision making and accountability to Councillors

The Monitoring Officer gave a presentation on the transparency of officer decision making and accountability to councillors, a copy of which appears at Appendix 'C' to these minutes in the Minute Book.

The content of the presentation covered key areas including the Constitution, financial thresholds, the scheme of delegation, types of officer decisions, other forms of officer decisions and decisions made by statutory officers (s5 and s114 reports). The Monitoring Officer took the opportunity to confirm that she was satisfied with the current wording of her responsibilities under the Local Government and Housing Act 1989 as set out in Article 11 of the Constitution with no changes proposed.

Committee members talked about the importance of ward member engagement and the need for this to be embedded. It was noted that ward members were invited to comment on draft reports through the modern gov system where the issue affected their ward. The Monitoring Officer agreed that this process be highlighted when the councillor induction programme was considered by the Standards Committee. She explained that officers were encouraged to be proactive in communicating with ward members outside of the formal report process, something members felt should be reinforced as part of the officer induction programme.

A concern was raised about the mechanisms available internally and externally for councillors to challenge officer decisions, in terms of there being a lack of sufficient recourse to raise issues in the public interest. The Monitoring Officer assured members that the decision-making process was heavily monitored and regulated. She outlined the mechanisms available internally, including provisions under the Constitution, the formal complaints process and the role of Internal Audit. Externally one could apply for judicial review, although it was commented that this was an unlikely and costly option. Governance concerns could also be raised with the External Auditor who had the power to undertake an independent investigation and require mandatory responses from the Council's statutory officers and was comfortable in doing so. It was noted with support that the Portfolio Holder for Finance met regularly with the External Auditor on a one-to-one basis to raise issues and concerns.

The Monitoring Officer also responded to points raised by members as follows:

- The definition of a ‘key’ decision – this would be added to the final version of the presentation slides.
- The process followed by statutory officers in coming to an informed collective view on a case-by-case basis should Cabinet and officers not agree on the proposed category of decision. It was noted that this was not a s5 report.
- The level of detail contained in the published officer decision record
- The process followed by statutory officers when issuing a report to suspend decision making and the challenges of meeting the 21 day timescale.

The Chair thanked the Monitoring Officer for her presentation.

56. Presentation - Governance surrounding the disposal of Council land and property

The Chief Financial Officer gave a presentation on governance arrangements for the disposal of council land and property, a copy of which appears at Appendix ‘D’ to these minutes in the Minute Book.

The content of the presentation covered key areas, including a step-by-step process map for asset disposal, the role of the Cross Party Strategic Asset Disposal Working Group (CPSADWG) and its agreed operating principles, the respective financial thresholds for Officer/Cabinet/Council decision making as set out in the Financial Regulations and the legal framework for asset disposal subject to Best Value Duty.

The Chief Financial Officer responded to questions from the Committee on issues raised in the presentation, including:

- It was confirmed that ward members were consulted on asset disposals in their ward. This could be widened on a case-by-case basis, for example if an asset was located in an adjoining ward near the ward boundary.
- The Committee was advised that there was a pipeline of assets disposals which was useful in the context of the timescale set out in Principle 1 regarding ‘disposal of assets where completion can be guaranteed by 31 March of the relevant financial year and to the required amount’
- It was suggested that the Council may wish to consider leasing empty properties as a source of income. It was noted that any proposal needed to accord with the CPSADWG principles.
- The Council continued to review the internal resources needed to deliver the required asset disposals. It was noted that issues affecting the delivery were often due to external factors outside the Council’s control.

The Chair thanked the Chief Financial Officer for his presentation.

The meeting ended at 9.20 pm

CHAIR

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Audit & Governance Committee

Report Subject	Treasury Management Monitoring report for the period April to December 2024 and Treasury Management Strategy 2025/26
Meeting date	27 January 2025
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2024 to 31 December 2024. A deficit of £2.2m is being forecast for the 2024/25 financial year as the Council continues to borrow to fund the accumulating deficit on its Dedicated Schools Grant (DSG) as pertaining to the excess special educational needs and disability service (SEND) revenue expenditure over the DSG High Needs block grant. Borrowing is also at higher-than-expected interest rates due to volatility in current debt costs.</p> <p>This report also presents the Treasury Management Strategy for 2025/26 with the relevant detailed strategy and the associated policies and practices document included as appendices. It should be highlighted the strategy inclusion of an assumption that Council, as part of the 2025/26 Budget setting process, will agree to a £60m SEND capitalisation direction to enable the forecast excess high needs expenditure in 2025/26 to be financed.</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 2024. <p>It is RECOMMENDED that Audit & Governance Committee recommends that Council.</p> <ol style="list-style-type: none"> 2) Approve the Treasury Management Strategy 2025/26 (Appendix 1) 3) Approve Treasury Management Practices and Policies 2025/26 (Appendix 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 Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Service Director	Adam Richens, Director of Finance
Classification	For information and recommendation
Report author	Matthew Filmer, Assistant Chief Financial Officer Russell Oakley, Finance Manager Technical

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 November 2024 decreased interest rates to 4.75% before holding the rates in December 2024. This follows decreases in June and September from a high of 5.25%. The Bank's Monetary Policy Committee (MPC) voted 6-3 in favour of holding the rate in December, with 3 voting for a 0.25% decrease and emphasises the gradual approach to rate reduction.

6. The BoE policymakers are trying to ensure inflation falls back to their targeted 2%. Impacted by the October budget and overseas factors the inflation rate rose to 2.6% in November 2024 before dropping to 2.5% in December 2024. The long-term forecast is that inflation will return to the target rate by the end of 2025.
7. The 10-year gilt yield has also seen a rise from 3.94% in October to 4.57% in December 2024 following the budget announcement. As PWLB rates are closely linked to this market this has resulted in an increase in long term in PWLB borrowing rates, despite the reductions in overall Bank of England base rate.

Interest Rates

8. Table 1 below which is produced by the authority's treasury consultants Link Asset Services. Audit and Governance committee on the 17 October 2024 discussed the increasing cost of government borrowing and how this may play out after the Chancellors first Budget on the 30 October 2024. On the morning of the 30 October a 25 year loan would cost 5.48%, on the morning of 16 January 2025 it was 6.03%.

Table 1: Interest rate projection (Link Asset Services)

Interest Rate Forecasts								
Bank Rate	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Link	4.75%	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%
Cap Econ	4.75%	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%
5Y PWLB RATE								
Link	5.00%	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%
Cap Econ	5.20%	5.10%	4.90%	4.80%	4.60%	4.60%	4.50%	4.50%
10Y PWLB RATE								
Link	5.30%	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%
Cap Econ	5.40%	5.30%	5.10%	5.00%	4.80%	4.80%	4.70%	4.60%
25Y PWLB RATE								
Link	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%
Cap Econ	6.00%	5.70%	5.50%	5.30%	5.00%	4.90%	4.90%	4.80%
50Y PWLB RATE								
Link	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%
Cap Econ	5.40%	5.30%	5.20%	5.20%	5.10%	5.00%	4.90%	4.80%

Treasury Management Performance 2024/25

9. Table 2 below shows the overall treasury management position for 2024/25. The current forecast is an overspend of £2.2m, which is an improved position compared to the £2.4m overspend forecasted at Quarter 2.
10. The reason for this decreased forecast is partially as a result of the restructure of long-term debt agreement for our Phenix Life loan but primarily due to higher-than-expected interest received on investments. Borrowing longer term to ensure cash requirements are met into April 2025 means that we have higher balances to invest and have been able to take advantage of the high interest rates being paid within the inter-Local Authority market.

Table 2: Treasury Management Performance 2024/25

	Forecast 2024/25 £'000	Budget 2024/25 £'000	Variance 2024/25 £'000
<u>Expenditure</u>			
Interest Paid on Long Term Borrowings	2,955	3,026	(71)
Interest Paid on Short Term Borrowings	3,000	1,475	1,525
<u>Income</u>			
Investment Interest Received	(1,950)	(2,500)	550
Deductions from general fund	850	645	205
Total	4,855	2,646	2,209

Borrowing

11. Table 3 and 4 below shows the closing level of borrowing for the Council's two loan pools.

Table 3: Council Short Term Borrowings as at 31 December 2024

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2024 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
3,000	4.87%	3,000	13-Jan-2025	3,000	-	Merseyside Fire and Rescue Service
3,000	4.88%	3,000	13-Jan-2025	3,000	-	Broxbourne Borough Council
5,000	4.82%	5,000	15-Jan-2025	5,000	-	Torbay Borough Council
5,000	4.88%	5,000	24-Jan-2025	5,000	-	The City and County of Swansea Council
3,000	4.90%	3,000	31-Jan-2025	3,000	-	PCC for Avon and Somerset
10,000	4.85%	10,000	10-Feb-2025	10,000	-	Cornwall Council
1,500	4.95%	1,500	03-Apr-2025	1,500	-	North Warwickshire Borough Council
20,000	5.00%	20,000	04-Apr-2025	20,000	-	London Treasury Liquidity Fund LP
10,000	4.90%	10,000	07-Apr-2025	10,000	-	PCC for West Midlands
2,000	4.95%	2,000	07-Apr-2025	2,000	-	Humberside Fire Authority
6,000	4.85%	6,000	14-Apr-2025	6,000	-	London Borough of Redbridge
10,000	4.95%	10,000	24-Apr-2025	10,000	-	Liverpool City Region Combined Authority
2,000	4.95%	2,000	30-Apr-2025	2,000	-	PCC for Avon and Somerset
5,000	5.00%	5,000	30-Apr-2025	5,000	-	East Riding Yorkshire Council
4,000	4.95%	4,000	01-May-2025	4,000	-	South Derbyshire District Council
2,000	4.80%	2,000	12-May-2025	2,000	-	North Hertfordshire District Council
10,000	4.95%	10,000	30-May-2025	10,000	-	West of England Combined Authority
3,000	4.95%	3,000	30-May-2025	3,000	-	PCC for Avon and Somerset
104,500		104,500		104,500	-	

Table 5: Council Short Term Borrowings as at 31 December 2024

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2024 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
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	14,116	17-Oct-2039	14,116	-	Prudential Assurance Co
49,000	2.83%	46,652	24-May-2068	46,652	-	Phoenix Life Limited
365,021		354,164		227,268	126,896	

Investments

12. A full list of investments held by the authority as at 31 December 2024 is shown in Table 5 below.

Table 5: Investment Summary as at 31 December 2024

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Leeds City Council	15-Jan-2025	5,000,000	5.00%
Surrey County Council	15-Jan-2025	5,000,000	5.00%
Wakefield Council	15-Jan-2025	10,000,000	5.05%
Surrey County Council	20-Jan-2025	4,000,000	5.60%
London Borough of Newham	23-Jan-2025	2,000,000	5.60%
Luton Borough Council	31-Jan-2025	5,000,000	5.05%
Surrey County Council	12-Feb-2025	5,000,000	5.30%
Central Bedfordshire Council	14-Feb-2025	10,000,000	5.35%
Great Yarmouth Borough Council	24-Feb-2025	2,000,000	5.60%
Sub Total		48,000,000	
<u>Call Account</u>			
Aberdeen Standard Liquidity Fund	instant access	850,000	4.78%
Total		48,850,000	

13. The Treasury Management function average returns of 5.11% for the period 1 April 2024 to 31 December 2024 for its combined investments, compared favourably to the average SONIA overnight benchmark rate of 4.93%.

Prudential Indicators

14. The Treasury Management Prudential Code Indicators were set as part of the 2024/25 Treasury Management Strategy as agreed with Council in February 2024. It can be confirmed that all indicators have been complied with during the period 1 April 2024 to 31 December 2024.

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 2024 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 all of 2023/24 and the period 1 April 2024 to 31 December 2024.

Treasury Management Strategy 2025/26

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 2025/26

18. The main assumption to highlight in the Treasury Management Strategy 2025/26 is that the government will provide and Council will agree to accept a £60m SEND Capitalisation Directive. This will enable the council to borrow to fund the revenue SEND expenditure in excess of the high needs block grant provided by the Department for Education as part of the DSG. This is necessary as the council will run out of the Treasury Management headroom at the end of the 2024/25 financial year which is the mechanism by which the current deficit is being covered.
19. The formal request to government has been made and includes £57.5m for the estimated deficit in 2025/25 as well as £2.5m to cover associated interest costs. Without the agreement of the capitalisation directive the Treasury Strategy 2025/26 would not, in our professional view, be compliant with CIPFA's 2021 Prudential and Treasury Management Codes as we would be borrowing to fund revenue expenditure.
20. The request for the capitalisation directive is to allow the borrowing to be on a 1-year basis with the belief, that government will have put in place a solution to return the SEND system to financial sustainability nationally by this time next year.

21. It is estimated that the accumulated DSG deficit will have cost the council in the region of £5.4m in 2024/25 and £6.8m in 2025/26.
22. Borrowing limits have been adjusted to ensure sufficient headroom is allowed for the capitalisation directive. Beside the DSG increase the prudential borrowing limit has also been increased to take account for the report that is due to be presented to Cabinet in February 2025 regarding the reprofile of phase 1 and additional phase 2 borrowing to support the fleet replacement strategy.

Summary of Financial/Resource Implications

23. Financial implications are as outlined within the report.

Summary of Legal Implications

24. There are no known legal implications.

Summary of Equalities and Diversity Impact

25. 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

26. 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

27. 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

28. 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

29. 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

30. 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

31. 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

32. Treasury Management report to Full Council on 20 February 2024
<https://democracy.bcpccouncil.gov.uk/documents/s48214/Appendix%20for%20Treasury%20Management%20Monitoring%20report%20for%20the%20period%20April%20to%20December%202023%20and%20Treas.pdf>

Appendices

Appendix 1 - Treasury Management Strategy 2025/26

Appendix 2 - Treasury Management Practices and Policies 2025/26

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Bournemouth, Christchurch and Poole Council (BCP)

Treasury Management Strategy Statement 2025/26

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 quarterly reporting (end of June/end of December) are 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 2025/26

12 The strategy for 2025/26 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 2025/26 – 2027/28

- 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	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
General Fund	81,828	122,881	136,388	36,792	37,316
General Fund - SEN Capitalisation	-	-	60,000	-	-
HRA	24,417	34,866	43,004	35,014	27,290
Total	106,245	157,747	239,392	71,806	64,606

- 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	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
General Fund Total	81,828	122,881	196,388	36,792	37,316
Financed by:					
Capital receipts	-	23	-	-	-
Capital grants & Contributions	49,871	69,614	109,091	22,328	25,468
Revenue, S106 and CIL financing	1,943	4,904	6,045	2,209	518
Prudential Borrowing	30,014	48,340	21,252	12,255	11,330
SEN Capitalisation	-	-	60,000	-	-
Total financing for the year	81,828	122,881	196,388	36,792	37,316

HRA Capital Expenditure

Capital expenditure	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
HRA Total	24,417	34,866	43,004	35,014	27,290
Financed by:					
Capital receipts	2,884	3,143	4,720	4,764	2,888
Capital grants & Contributions	1,222	5,880	6,093	11,733	607
Revenue, S106 and CIL financing	5,515	7,070	5,807	500	500
Major Repairs Allowance	14,796	16,388	17,302	17,202	17,202
Prudential Borrowing	-	2,385	9,082	815	6,093
Total financing for the year	24,417	34,866	43,004	35,014	27,290

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:

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Capital Financing Requirement					
CFR – General Fund	378,884	415,917	485,352	485,069	482,688
CFR – HRA	131,474	132,859	140,941	140,756	145,849
Total CFR	510,358	548,776	626,293	625,825	628,537
Movement in CFR	19,725	38,418	77,517	(468)	2,712
Movement in CFR represented by					
Net movement in borrowing for the year (above)	30,014	50,725	90,334	13,070	17,423
Less MRP/VRP and other financing movements	(11,013)	(12,307)	(12,817)	(13,538)	(14,711)
Movement in CFR	19,001	38,418	77,517	(468)	2,712

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 The Authority is required to estimate and measure the Liability Benchmark 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.

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Fund balances / reserves	77,020	67,543	56,984	53,503	53,503
Capital receipts	9,295	2,000	2,000	2,000	2,000
Provisions	26,335	15,000	15,000	15,000	15,000
Other	23,018	(85,400)	(85,400)	(145,400)	(205,400)
Total core funds	135,668	(857)	(11,416)	(74,897)	(134,897)
Working Capital*	(146,555)	(146,555)	(146,555)	(146,555)	(146,555)
Under/over borrowing	209,205	132,622	26,138	(122,331)	(267,620)
Expected Internal Investments	62,650	(13,933)	(120,417)	(268,886)	(414,175)

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

Minimum Revenue Provision (MRP) policy statement

- 37 The Authority's MRP policy was amended in 2023/24 following a comprehensive review of MRP charges and methodology. This updated policy reflects the new MRP calculation methods to be implemented.
- 38 For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation.
- 39 Unsupported borrowing will be subject to MRP under option 3 of the guidance (Asset Life Method). MRP will be based on the estimated life of the assets in accordance with the statutory guidance using the annuity method, calculated on a weighted average basis, where appropriate.
- 40 MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset lives as recommended by the statutory guidance.
- 41 The interest rate applied to the annuity calculations will reflect the market conditions at the time, and will for the current financial year be based on PWLB annuity rates
- 42 Where applicable, repayments included in annual PFI or finance leases are applied as MRP.
- 43 MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The amount of VRP overpayments up to 31st March 2024 was £7.2m
- 44 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.

Borrowing

- 45 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

- 46 The overall Treasury Management portfolio as at 31 March 2024 and for the position as at 31 December 2024 are shown below for both borrowing and investments.

	Actual 31/03/2024 £'000	Actual 31/03/2024 %	Current 31/12/2024 £'000	Current 31/12/2024 %
Treasury investments				
Money Market Funds	3,675	13%	850	2%
Bank Deposits	10,000	35%	0	0%
Local Authorities	15,000	52%	48,000	98%
Call Account	0	0%	0	0%
Total Treasury Investments	28,675	100%	48,850	100%
Treasury External Borrowing				
PWLB	188,896	64%	188,896	53%
Local Authorities	43,500	15%	84,500	24%
Private Sector	62,423	21%	80,768	23%
Salix	0	0%	0	0%
Total External Borrowing	294,819	100%	354,164	100%
Net treasury investment / (borrowing)	(266,144)		(305,314)	

- 47 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.

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
External Debt					
Treasury Debt 1st April	273,221	295,126	410,769	595,412	744,055
PFI and Finance Lease Liability	6,027	5,385	4,743	4,101	3,459
Expected change in Debt	21,905	115,643	184,643	148,643	148,643
Actual gross debt at 31 March	301,153	416,154	600,155	748,156	896,157
The Capital Financing Requirement	510,358	548,776	626,293	625,825	628,537
Under / (over) borrowing	209,205	132,622	26,138	(122,331)	(267,620)

- 48 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 2025/26 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.

- 49 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.
- 50 It should be highlighted that the Treasury Strategy 2025/26 assumes that the council will be rewarded a capitalisation directive of £60m allowing it to offset the forecast deficit on special education needs for that year only. The hope is the government find a long-term solution to the problem so only a years borrowing has been assumed. If a solution is not forthcoming then a further capitalisation would be required every year thereafter.

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:

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Operational Boundary	755	775	800	825	850
Authorised Limit	785	810	835	860	895

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 11.11.24. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by Link on this forecast table: -

- 54 The latest forecast sets out a view that both short and long-dated interest rates

will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market.

55 Following the 30th October Budget, the outcome of the US Presidential election on 6th November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7th November, we significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

56 If we reflect on the 30th October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

Borrowing strategy

57 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 remains elevated through to the second half of 2024.

58 Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 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.

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

Policy on borrowing in advance of need

60 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.

- 61 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

- 62 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.
- 63 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

- 64 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).
- 65 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).

- 66 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.
- 67 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
- 68 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

- 69 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.
- 70 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.
- 71 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.
- 72 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

- 73 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-

74 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 Local authorities, Police and Fire Authorities, Parish Councils, BCP Council Companies (Subsidiaries) and Partnerships.
- m Pooled Funds

Maximum Time and Monetary Limits applying to Investments

75 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).

76 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	N/A	20%	2 years
Limit 3 category – Council's banker Barclays	AA-	25%	3 months
DMADF	UK sovereign rating	Unlimited	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

Use of additional information other than credit ratings

77 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

78 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

79 Bank Rate is forecast to over the next two years reaching 3.5% by December 2026.

- 80 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: -

Average earnings in each year	
2024/25 (residual)	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
2028/29	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

Investment treasury limit

- 81 The maximum period for investments will be 5 years.

Ethical Investing

- 82 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

- 83 The Treasury Management Policy, Practices and Schedules will be presented alongside this 2025/26 update of the TM Strategy.

Appendices

Appendix 1 - Economic Background

Appendix 2 - Approved Countries for investments

Appendix 3 - The Treasury Management role of the S151 Officer

Appendix 4 - Liability Benchmarking – GF and HRA

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

The third quarter of 2024/25 (October to December) saw:

- GDP growth contracting by 0.1% m/m in October following no growth in the quarter ending September;
 - The 3myy rate of average earnings growth increase from 4.4% in September to 5.2% in October;
 - CPI inflation increase to 2.6% in November;
 - Core CPI inflation increase from 3.3% in October to 3.5% in November;
 - The Bank of England cut interest rates from 5.0% to 4.75% in November and hold them steady in December.
 - 10-year gilt yields starting October at 3.94% before finishing up at 4.57% at the end of December (peaking at 4.64%).
- The 0.1% m/m fall in GDP in October was the second such decline in a row and meant that GDP would need to rise by 0.1% m/m or more in November and December, for the economy to grow in Q4 as a whole rather than contract. With on-going concern over the impact of the October budget and drags from higher interest rates and weak activity in the euro zone, our colleagues at Capital Economics have revised down their forecast for GDP growth in 2025 to 1.3% (it was initially 1.8% in the immediate wake of the Budget.)
 - This quarter saw the composite activity Purchasing Manager Index (PMI) dip below the level of 50 that separates expansion from contraction for the first time since October 2023. Although December's composite PMI came in above this level, at 50.5, this was still consistent with the 0% rise in real GDP in Q3 being followed by a flat-lining, or potential contraction, in the final quarter of 2024. However, the economy is unlikely to be quite as weak as that given that the PMIs do not capture rises in government spending, but the data does underline the continued divergence in trends between the manufacturing and services sectors. The manufacturing PMI fell for its fourth consecutive month in December, from 48.0 in November to 47.3. That's consistent with manufacturing output falling by 1.5% q/q in the final quarter of 2024 after flatlining through the summer months. This weakness in the manufacturing sector was offset by a rebound in the services sector. The services PMI rose from 50.8 in November to 51.4 in December, which is consistent with non-retail services output growth increasing from +0.1% q/q to +0.3% for October - December. This suggests that more of the recent slowdown in GDP is being driven by the weakness in activity overseas rather than just domestic factors. Additionally, the services output prices balance rose for the third consecutive month, from 55.4 in November to 56.9, showing signs that price pressures are reaccelerating.
 - After rising by 1.4% q/q in July - September, the retail sector had a difficult final quarter of the year. Indeed, the bigger-than-expected 0.7% m/m fall in retail sales in October (consensus forecast -0.3% m/m) suggested that households' concerns about expected tax rises announced in the Budget on 30th October contributed to weaker retail spending at the start of the quarter. The monthly decline in retail sales volumes in October was reasonably broad based, with sales in five of the seven main sub sectors slipping. However, the potential for seasonally adjusted sales to rise in November - if October's figures were impacted by the timing of the school half term – combined with a rebound in consumer confidence and rising real incomes, points to some promise to the final quarter of 2024

- The Government's October budget outlined plans for a significant £41.5bn (1.2% of GDP) increase in taxes by 2029/30, with £25bn derived from a 1.2% rise in employers' national insurance contributions. The taxes are more than offset by a £47bn (1.4% of GDP) rise in current (day-to-day) spending by 2029/30 and a £24.6bn (0.7% of GDP) rise in public investment, with the latter being more than funded by a £32.5bn (1.0% of GDP) rise in public borrowing. The result is that the Budget loosens fiscal policy relative to the previous government's plans - although fiscal policy is still being tightened over the next five years – and that GDP growth is somewhat stronger over the coming years than had previously been forecasted. By way of comparison, the Bank of England forecasts four-quarter GDP growth to pick up to almost 1¾% through 2025 (previously forecast to be 0.9%) before falling back to just over 1% in 2026.
- December's pay data showed a rebound in wage growth that will likely add to the Bank of England's inflationary concerns. The 3myy rate of average earnings growth increased from 4.4% in September (revised up from 4.3%) to 5.2% in October (consensus forecast 4.6%) and was mainly due to a rebound in private sector pay growth from 4.6% to 5.4%. Excluding bonuses, public sector pay stagnated in October and the 3myy rate fell from 4.7% to 4.3%.
- The number of job vacancies also fell again from 828,000 in the three months to October to 818,000 in the three months to November. This marks the first time it has dropped below its pre-pandemic February 2020 level of 819,000 since May 2021. Despite this, the Bank of England remains concerned about the inflationary influence of high wage settlements as well as the risk of a major slowdown in labour market activity.
- CPI inflation has been on the rise this quarter, with the annual growth rate increasing from 1.7% in September to 2.3% in October, before rising further to 2.6% in November. Although services CPI inflation stayed at 5.0% in November, the Bank had expected a dip to 4.9%, while the timelier three-month annualised rate of services CPI rose from 5.0% to 5.1%. That shows that there currently isn't much downward momentum. Moreover, the wider measure of core CPI inflation rose from 3.3% to 3.5% in November. Both services and core inflation are currently at rates well above those consistent with the 2.0% target and are moving in the wrong direction. Capital Economics forecast that after dipping to 2.5% in December, CPI inflation will rise further in January, perhaps to 2.8%. Although CPI inflation is expected to be back at close to the 2.0% target by the end of 2025, given that a lot of the rise in inflation in the coming months will be due to base effects that won't persist, the potential for a broader set of tariffs to arise from the US as well as the constant threat of geo-political factors to impact energy and food prices suggest risks remain very much to the upside.
- Throughout the quarter gilt yields have risen. The 10-year gilt yield increased from 3.94% at the start of October to 4.57% by the year end (and has subsequently risen to 4.64% early in 2025). As recently as mid-September 10-year gilt yields were at their low for the financial year, but since then, and specifically after the Budget at the end of October, yields have soared. Overall, the reaction to the UK Budget highlights how bond markets are both fragile and highly attentive to news about the fiscal outlook.
- The FTSE 100 started off this quarter at 8,276, before finishing up at 8,121. In particular, UK markets have continued to fall further behind US equities, a trend which has accelerated since Trump's election victory in November, partly due to the

UK stock market being less exposed to AI hype, and it being weighed down by its relatively large exposure to the energy and materials sectors.

MPC meetings: 7th November & 18th December 2024

- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut, but the language used by the MPC emphasised “gradual” reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.
- At the 18 December meeting, another split vote arose. Members voted 6-3 to keep Bank Rate on hold at 4.75%, but dissenters (Dhingra, Ramsden and Taylor) were keen for rates to be cut further as concerns over the slowing down of the UK economy took root, despite near-term inflation fears remaining.
- The MPC again stated that “a gradual approach” to rate cuts “remains appropriate” and that policy will “remain restrictive for sufficiently long”.

PWLB maturity Certainty Rates 1st April to 31st December 2024

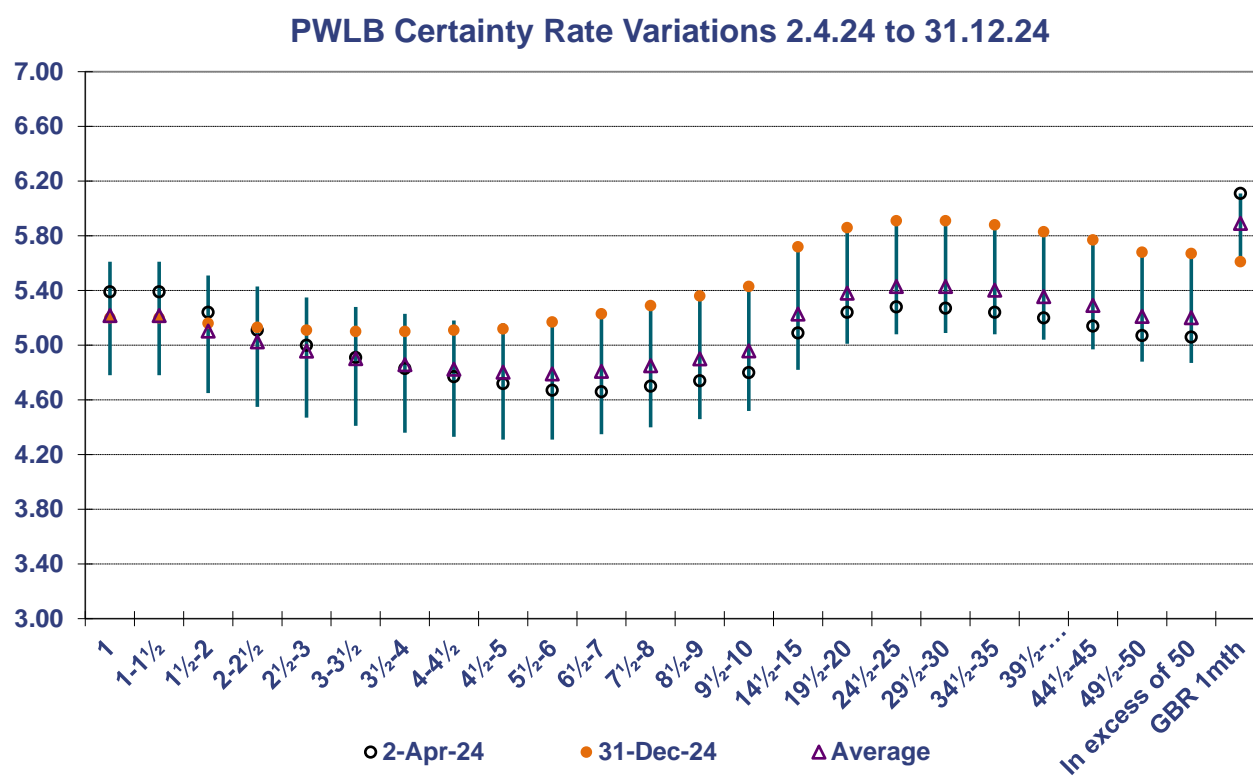
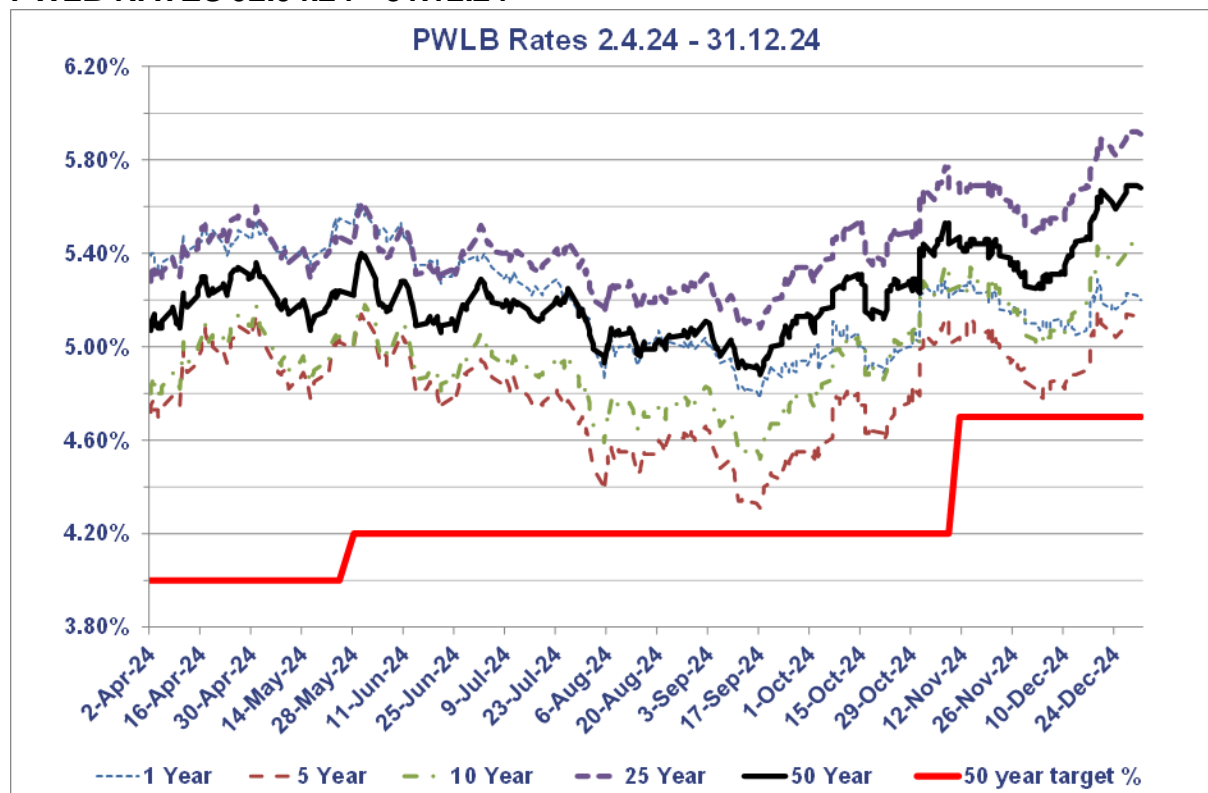
Medium and longer-dated gilt yields, and therein PWLB rates, have moved significantly higher over the course of the financial year, culminating in long-term rates approaching levels last seen in 1998. The rise in medium to long-term yields has arisen because of several factors. Namely, the inflation outlook has become stickier than the market anticipated earlier in the year, with wages remaining somewhat elevated (currently increases are c5% y/y) and the labour market tight (unemployment a little above 4% and job vacancies more than 800,000).

Moreover, the Government has not fully convinced the markets that the UK economy is about to undergo a material increase in productivity and growth. The quarter ending 30th September saw UK GDP stagnate and the prospects for 2025 are somewhat opaque at present. With the UK public finances seemingly under pressure too (as of 7th January, it is estimated that the Chancellor’s October Budget contingency is less than £1bn following the recent rise in gilt yields), and historic buyers of longer-dated gilts – pension funds and insurance companies – targeting shorter-dated maturities of late, it is not that great a surprise that yields have risen in the longer dates even as the Debt Management Office has sought to issue debt with shorter durations than might normally have been the case.

There is also anecdotal evidence that hedge funds, who are not long-term holders of long-dated debt issuance, as a rule, may be more active in this part of the market than has normally been the case. Their presence, arguably, adds volatility to the equation. Consequently, and pulling all these factors together, and it is clear that any signs of public finance weakness could lead to elevated yields from time to time.

Additionally, US Treasury yields have also risen prior to Donald Trump’s inauguration as US President on 20th January. Markets are nervous as to what the effect of deportation, tariff and tax-cutting policies will have on inflation. Given the impact US markets have globally, this is another contributing factor to the near-term rise in UK yields. The hope is that when the “unknowns” become known, markets will behave in a calmer fashion and yields fall back. But that is not certain.

PWLB RATES 02.04.24 - 31.12.24



HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 31.12.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
31/12/2024	5.20%	5.12%	5.43%	5.91%	5.68%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.16%	5.44%	5.92%	5.69%
High date	29/05/2024	19/12/2024	19/12/2024	19/12/2024	27/12/2024
Average	5.22%	4.80%	4.96%	5.43%	5.21%
Spread	0.83%	0.85%	0.92%	0.84%	0.81%

Appendix 2: Approved countries for investments

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium
- France
- **U.K.**

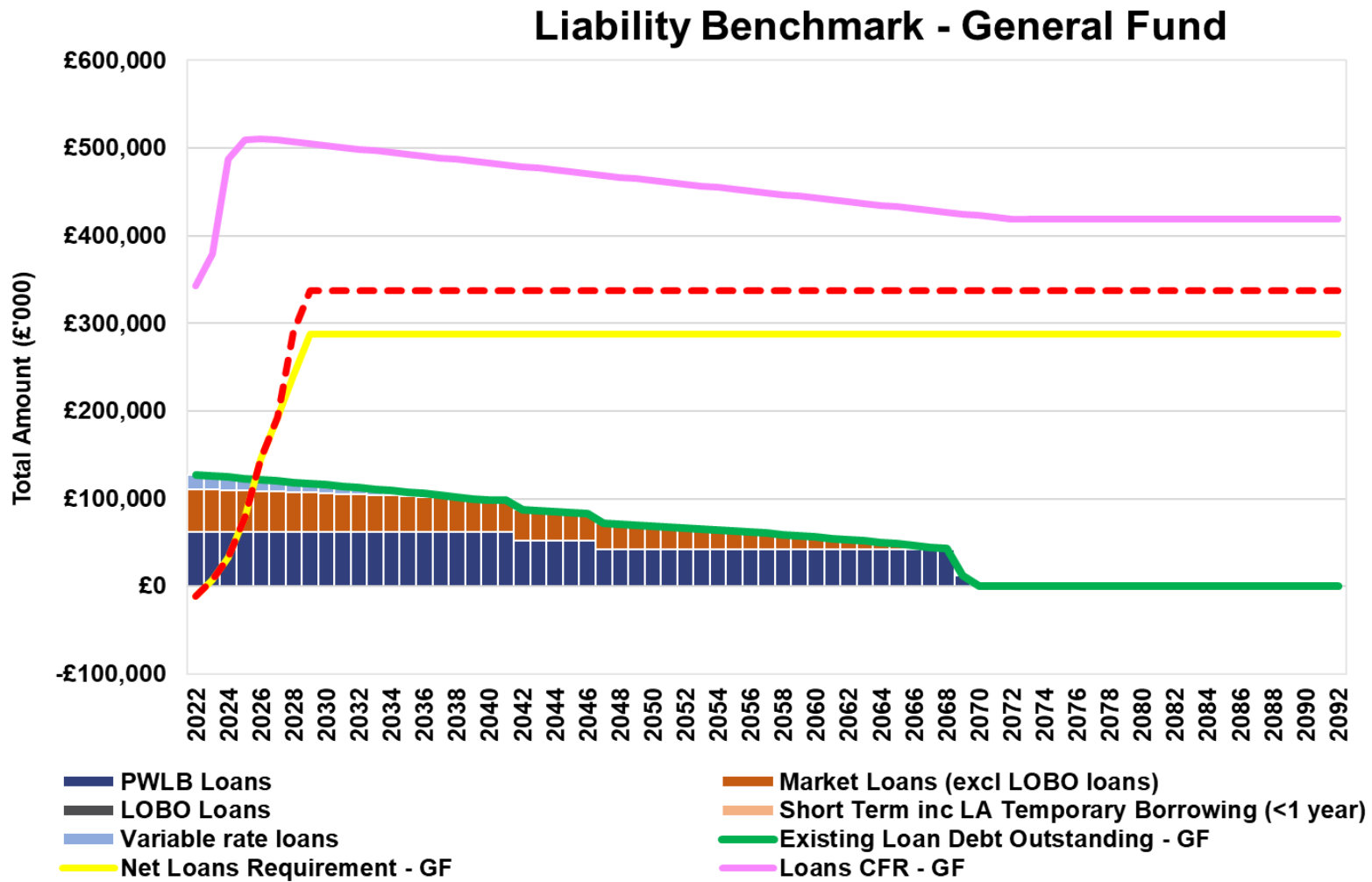
Appendix 3: The Treasury Management role of the section 151 officer

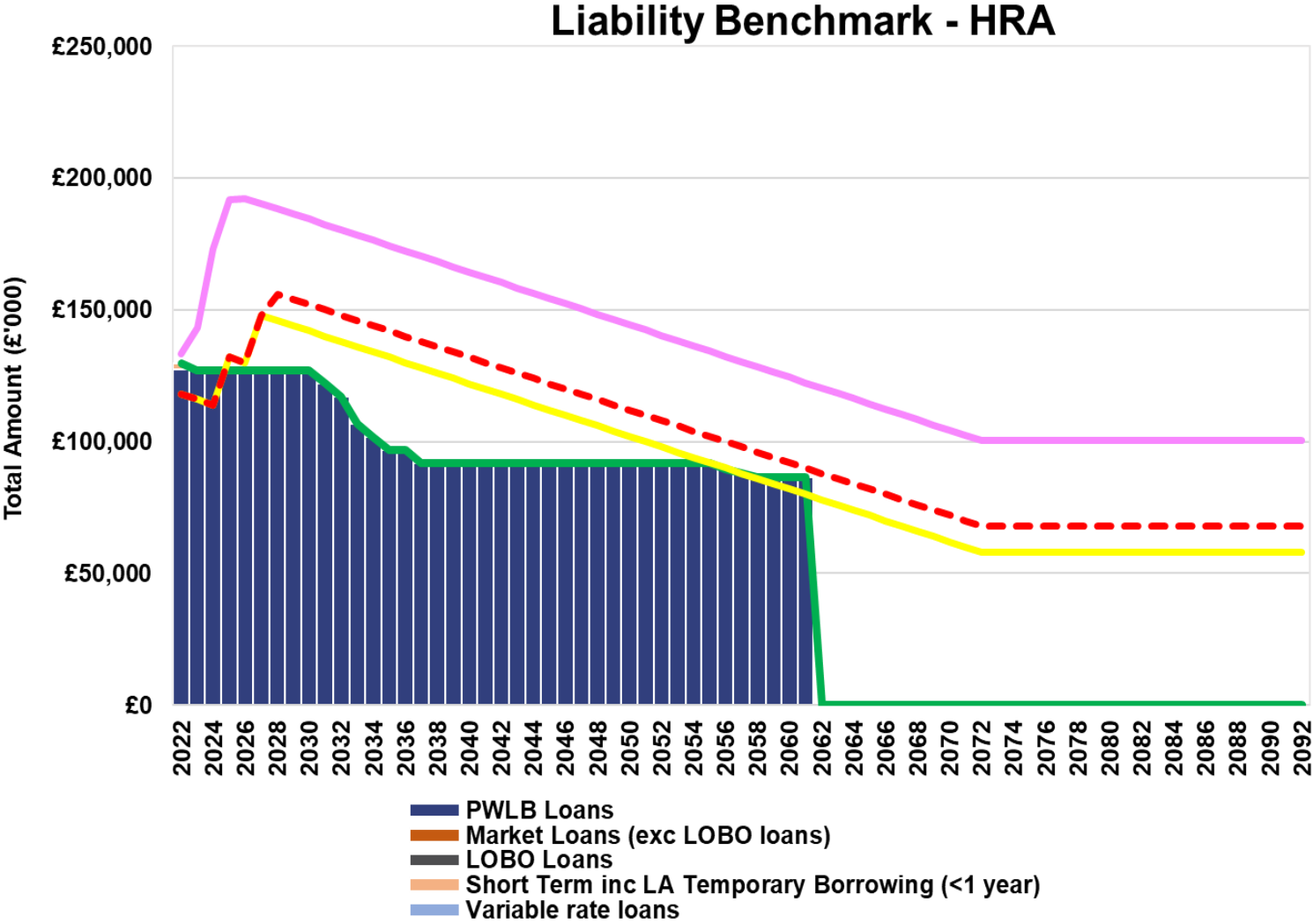
The S151 (responsible) officer

- 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





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. Payments are only to be made on appropriately authorised documentation in line with transaction limits below, which will not apply to any transfers between different BCP bank accounts:

Role	Transaction Limit
Accountant L3	£20m
Finance Manager	£50m

Any payments outside of these limits should only be made after confirmation from the Section 151 Officer or Assistant Chief Finance Officers.

- 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 advisors will be monitored on an ongoing basis and be the subject of a tendering process.

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

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

External Fund Managers

- 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 advisors will assist in monitoring the performance of the fund managers.

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

- 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.

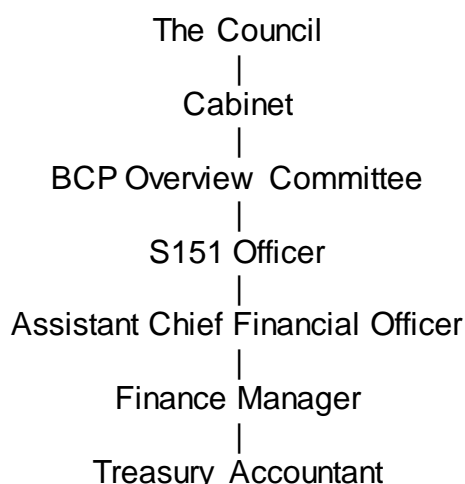
BCP Committee

- 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 and Assistant Chief Finance officer with responsibility for treasury management is permitted to place deals in accordance with the Counterparty Lists, Limits below and approved Treasury Management Practices.

Daily limits for authorisation of long term investments and borrowing.

Role	Daily Authorisation Limit	Deal Duration
Finance Manager	£20m	One to twelve months
Deputy chief finance officer	£50m	One to twelve months
Section 151 Officer	Unlimited	

Due to the short-term nature of investments or withdrawals to Call Accounts, used to control the daily cash balances held in our main bank accounts, no limits are applicable.

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

suspensions 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;

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Increased Borrowing - Hawkwood Road and Housing Delivery Council Newbuild Housing and Acquisition Strategy (CNHAS)
Meeting date	27 January 2025
Status	Public Report
Executive summary	<p>Consider and recommend to Council, the 10 December Cabinet reports for Hawkwood Road and CNHAS Harbour Sail acquisition which seeks additional borrowing as part of the proposals.</p> <p>It is for Audit and Governance to be satisfied that the business cases are robust enough to generate resources to satisfy the associated debt repayments.</p>
Recommendations	<p>Hawkwood Road</p> <p>It is RECOMMENDED that Audit and Governance Committee Recommend to Council:</p> <p style="padding-left: 40px;">a) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.1m in the HRA for social rent/shared ownership and £3.2m in the general fund of prudential borrowing for Option 1 of this scheme and the proposal in the business cases for the financing of this debt.</p> <p style="padding-left: 40px;">Or</p> <p style="padding-left: 40px;">b) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.9m in the HRA for social rent/shared ownership of prudential borrowing for Option 2 of this scheme and the proposal in the business cases for the financing of this debt Option 1 cannot be delivered.</p> <p>CNHAS – Harbour Sail</p> <p>It is RECOMMENDED Audit and Governance Committee recommend to Council:</p> <p style="padding-left: 40px;">c) Increasing the authorised borrowing limit of the Council to accommodate the budget set out in the exempt report at Appendix 1 for the purchase of Harbour Sail.</p>

Reason for recommendations	To ensure any decision taken by Council on any significant capital project financed by borrowing has strengthened governance around the ability of debt to be robustly serviced.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance and Deputy Leader
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Matthew Filmer, Assistant Chief Financial Officer
Wards	Not applicable
Classification	For Recommendation

Background

1. The Audit and Governance Committee on the 27 July 2023 agreed to reduce the council's debt threshold to reduce the risk associated with high levels of debt.
2. In addition, to strengthen the governance arrangements around any proposal to increase the debt threshold in future the report also set out that Audit & Governance Committee will also need to consider the robustness of the ability of any significant new business case to service its debt obligations. Cabinet on the 10 December agreed to recommend to Council the business cases for Hawkwood Road and the CHNAS Harbour Sail acquisition which both carry a significant level of borrowing requiring approval from Audit and Governance Committee.
3. It is therefore for Audit and Governance to be satisfied that the business cases are robust enough to generate sufficient resources to satisfy the future interest and capital debt repayments associated with these schemes.

Hawkwood Road

4. The Cabinet report sets out the redevelopment opportunity at Hawkwood Road, which is a priority project for the Boscombe Towns Fund. The report outlines two options for the delivery: either a mixed-use site of residential home and a clinical facility in collaboration with the NHS (subject to contract, (Option 1) or a 100% residential scheme (Option 2). The report confirms we will use best endeavours to pursue Option 1 mixed-use project, however, seeks authority to retain the flexibility to deliver the 100% residential (option 2), if necessary. The financial viability is dependent on Homes England grant for the delivery of 100% affordable homes and sufficient headroom in the Housing Revenue Account. Hawkwood Road delivers significant social and physical regeneration to the ward of Boscombe West and the associated local context. The project also contributes the delivery of much needed social homes.

5. The borrowing implications of the scheme are set out below. Every business case is net of any associated management cost, regular and major maintenance of the properties.

Table 1 – Option 1

	Borrowing £'000	Repayment Term	Cash Flow Surplus
Housing Revenue Account	6,093	50 Years	Year 30
General Fund	3,191	50 Years	Year 5
Total	9,284		

Table 2 – Option 2

	Borrowing £'000	Repayment Term	Cash Flow Surplus
Housing Revenue Account	6,896	50 Years	Year 30

CNHAS – Harbour Sail Acquisition

6. Harbour Sail is a 12-storey building consisting of 32 apartments owned by Stonewater Limited on a leasehold basis. The building was originally constructed between 2004 and 2005 by contractor HGB Western, commissioned by ASDA (McLagan Investments) as part of a larger development including a superstore and multi-storey car park. Stonewater Limited has owned the building since its completion.
7. The Council is seeking to acquire the block to be used for the provision of temporary and move on accommodation to reduce the pressures on expensive nightly Bed and Breakfast accommodation. There are 26 one-bedroom and 6 two-bedroom homes.
8. The financial details are included as part of exempt Appendix 1. The borrowing implications of the scheme are set out below. Every business case is net of any associated management cost, regular and major maintenance of the properties.

Table 3 – Harbour Sail Acquisition

	Borrowing £'000	Repayment Term	Cash Flow Surplus
General Fund	3,722	50 Years	Year 20

Summary of financial implications

9. Each report linked as part of the background papers sent out the financial implications for each scheme.

Summary of legal implications

10. Each report linked as part of the background papers sent out the legal implications for each scheme.

Summary of human resources implications

11. Each report linked as part of the background papers sent out the human resources implications for each scheme.

Summary of sustainability impact

12. Each report linked as part of the background papers sent out the sustainability impact for each scheme.

Summary of public health implications

13. Each report linked as part of the background papers sent out the public health implications for each scheme.

Summary of equality implications

14. Each report linked as part of the background papers sent out the equality implications for each scheme.

Summary of risk assessment

15. Each report linked as part of the background papers sent out the risk assessment for each scheme.

Background papers

[Hawkwood Road Phase 2 – Cabinet 10 December 2024](#)

[Housing Delivery Council Newbuild Housing and Acquisition Strategy \(CNHAS\) update and Harbour Sail acquisition – Cabinet 10 December 2024](#)

Appendices

Appendix 1 – Harbour Sail - EXEMPT

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Risk Management - Corporate Risk Register Update
Meeting date	27 January 2025
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"> • All Corporate Risks were reviewed during the quarter. • CR24 – We may fail to adequately address concerns around community safety and environmental impacts. The risk owner has been updated for this risk. This risk is also to be split to separately identify a risk around environmental impact. • Key Assurance Risk Registers and Director Level Risk Registers were reviewed during the quarter. • A service update is provided. <p>Material updates for this quarter are outlined in sections 11.</p>
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	<p>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.</p>

Portfolio Holder(s):	Councillor Mike Cox, Portfolio Holder for Finance
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 Policy, 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.
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. In order to provide the committee with insight in terms of the approach to risk management, a summary of the process followed is shown at Appendix 1.
7. To assist in the understanding of prioritisation of risk, the council's risk matrix and definitions is shown at Appendix 2.
8. At Appendix 3 a dashboard is included with summarised information.
9. 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 4. This is ranked according to the net risk score from the highest to the lowest.

Changes in Risk During Quarter 3 – 2024/2025

10. During the quarter, the risks have been reviewed and in addition to the updates to each risk, the material updates to the register are as follows:
11. CR04 - We may suffer a loss or disruption to IT Systems and Networks from cyber attack. This risk was discussed at length by CMB to ensure the scoring remains correct. Whilst reflecting on the considerable on-going work, the changes in the external environment were also reflected upon. The score remains unchanged but the risk continues to be closely monitored.

CR15 – We may fail to have in place suitable talent attraction, retention and succession planning, staff wellbeing and support. This continues to be one of the highest risks on the register and a comprehensive update has been provided.

CR18 – We may fail to provide adequate customer interface. Following the discussions at the October meeting of this committee, it is understood that the Director of Customer and Property Operations and the Director of IT and Programmes is facilitating a meeting with Members to discuss the issues raised.

CR23 – Potential implications of the Dedicated Schools Grant financial deficit. Further detail on this risk has been provided as requested by this committee.

CR24 – We may fail to adequately address concerns around community safety and environmental impacts. The risk owner has been updated on this risk from Glynn Barton, Chief Operations Officer, to Jillian Kay, Corporate Director for Wellbeing. A further update to this risk is outlined below.
12. As part of the quarterly review process, CMB considered a newly nominated risk around Cliff Management/Stability. CMB agreed that this risk should be reflected in the Corporate Risk Register but that rather than have this as an individual risk, this will be considered as part of a wider risk around environmental impacts. This will be achieved by the current risk CR24 – We may fail to adequately address concerns around community safety and environmental impacts - being reconsidered with the environmental impact elements being separated out to a new risk. This update will be provided in the next report to this committee.
13. 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.
14. During this quarter in addition to the review of individual risks, the connectivity of risks continues to be 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.
15. Full details of the updates for this quarter can be found in Appendix 4.

Key Assurance Risk Registers

16. During the quarter the Key Assurance Risk Registers were reviewed by CMB. This included the registers for the Health and Safety and Fire Safety Board, Corporate Resilience Board and the Information Governance Board.

Director Level Risk Registers

17. Director level risk registers were reviewed by CMB during this quarter.
18. As a result of these discussions the following was noted:
 - High Director level risks equate to 51% of the total number of Director level risks;
 - Director level risks were considered in the context of whether any needed to be escalated to corporate level. None were identified during this quarter.
 - Common risk themes or clusters of risks were identified as a sense check to ensure these are adequately reflected at either Corporate or Key Assurance level registers.
19. To continue to develop risk management reporting, the themed risk information will be shared with relevant lead officers to ensure that suitable support may be provided to Directors.

Dynamic Risk Review Process

20. 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.
21. This 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.
22. 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.
23. Discussions are in progress to incorporate Corporate Risks within a performance report that will routinely be presented to Cabinet. A further update on the position with this will be provided to this committee once the process for risk engagement with Cabinet is agreed.

Risk Management Process and Development

24. The process of developing a new Risk Management Policy for the council continues. The policy draws upon best practice as set out in standards such as the Orange Book, ISO 31000, CIPFA and ALARM (Association of Local Authority Risk Managers).
25. The development of the new policy has progressed and CMB will be reviewing the draft during January 2025.

Service Development

26. In addition to the reviews of corporate risks, the Risk Management team continues to be engaged in the refresh of director level 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.
27. 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 Director/Director for review and consideration of any necessary action. Examples during this quarter include:
 - Routinely reviewing the outcomes of partial assurance 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.
 - Circulating information from a risk management perspective on various topics.
 - Sharing training opportunities on areas of risk.
28. During the quarter the first phase of work on the new Risk App has been completed and the majority of Director Level Risk Registers have been added to the system. This should support the continued development of the management of risk.
29. A suite of dashboards and reports will now be constructed for different user groups to support the risk management process and future reporting.

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

36. 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 17 October 2024.

Appendices

Appendix 1 - Summary of Risk Management Process

Appendix 2 - BCP Council's Risk Matrix and Definitions

Appendix 3 - Risk Dashboard

Appendix 4 - Full Risk Details Including Summary

BCP Council - Risk Management

Identify Risks	Evaluate Risks	Treat Risks	Review Risks																																						
<p>Process to be integrated into council business as usual and considered by all business areas</p> <p>RISK is the effect of uncertainty on objectives. Risk is usually expressed in terms of causes, potential events, and their consequences.</p> <p>Risk management is the planned approach and should consider the following:</p> <ul style="list-style-type: none">Those which threaten the achievement of our objectivesThose which go against our valuesThose relating to the legal and regulatory frameworks we work withinThose relating to our own policy and internal control framework <p>Consider what could go wrong or what more could we achieve?</p>	<p>Combination of the impact and likelihood of an event and its consequences (Gross or Inherent risk)</p> <table border="1"><tr><td colspan="2"></td><th colspan="4">THREATS</th></tr><tr><td rowspan="5">Likelihood</td><td>Almost Certain (4) >90%</td><td>4</td><td>8</td><td>12</td><td>16</td></tr><tr><td>Likely (3) 60-90%</td><td>3</td><td>6</td><td>9</td><td>12</td></tr><tr><td>Could Happen (2) 20-60%</td><td>2</td><td>4</td><td>6</td><td>8</td></tr><tr><td>Unlikely /Rarely (1) 0-20%</td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td>Low (1)</td><td>Medium (2)</td><td>High (3)</td><td>Extreme (4)</td></tr><tr><td colspan="2"></td><th colspan="4">Impacts</th></tr></table> <p>Red – High Risks, immediate action</p> <p>Amber – Medium priority, review current controls</p> <p>Green – Low priority, limited action, continue to review</p>			THREATS				Likelihood	Almost Certain (4) >90%	4	8	12	16	Likely (3) 60-90%	3	6	9	12	Could Happen (2) 20-60%	2	4	6	8	Unlikely /Rarely (1) 0-20%	1	2	3	4		Low (1)	Medium (2)	High (3)	Extreme (4)			Impacts				<p>Consider each risk and ask:</p> <ul style="list-style-type: none">Can we reduce the likelihood?Can we reduce the impact? <p>Risk Responses:</p> <ul style="list-style-type: none">Terminate (stop the activity or remove a risk cause)Transfer (pass specific loss risk ownership to another party)Treat (contain the risk at am acceptable level by the application of controls)Tolerate (accept the risk) <p>Consider the risk score after the risk responses have been considered.</p> <p>The revised combination of impact and likelihood and its consequences post current mitigations (Net or Residual risk)</p> <p>Devise contingencies and action plans to reduce the mitigated risks to an acceptable level.</p>	<p>Risk Registers</p> <ul style="list-style-type: none">Record all identified risks, risk owners, risk evaluation, risk treatment and risk action plansRegular monitoring as part of business as usual <p>Council risk monitoring</p> <ul style="list-style-type: none">Risk registers reviewed in Directorates quarterlyChallenge process via Risk TeamRegular reporting to CMB <p>Council’s Corporate Risks</p> <ul style="list-style-type: none">Regular review by CMBQuarterly review by Risk leadsQuarterly monitoring by Audit and Governance Committee
		THREATS																																							
Likelihood	Almost Certain (4) >90%	4	8	12	16																																				
	Likely (3) 60-90%	3	6	9	12																																				
	Could Happen (2) 20-60%	2	4	6	8																																				
	Unlikely /Rarely (1) 0-20%	1	2	3	4																																				
		Low (1)	Medium (2)	High (3)	Extreme (4)																																				
		Impacts																																							

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Risk Scoring Matrix and Impact and Likelihood Scoring Definitions

THREATS					
Likelihood	Almost Certain (4) >90%	4	8	12	16
	Likely (3) 60 - 90%	3	6	9	12
	Could Happen (2) 20 - 60%	2	4	6	8
	Unlikely/ Rarely (1) 0 - 20%	1	2	3	4
		Low (1)	Medium (2)	High (3)	Extreme (4)
	Impacts				

Please see below for an explanation of impact and likelihood scoring definitions.

Impact of Risk

Impact Scoring Guidance

Threat (Negative) Impacts Scores		
1	Low	<ul style="list-style-type: none"> a) Potential financial loss of less than £200k b) Minor injury c) Minor legal/regulatory consequence d) Minor impact outside single objective/local system e) Internal adverse publicity, minor reputational damage/ adverse publicity f) Minor service disruption g) Minimal service user complaints
2	Medium	<ul style="list-style-type: none"> a) Potential financial loss of between £200k and £999,999 b) More serious injury c) Significant legal/ regulatory consequence d) Significant impact on objective/s, processes or systems e) Significant localised reputational damage f) Significant service disruption g) Multiple service user complaints
3	High	<ul style="list-style-type: none"> a) Potential financial loss of between £1m and £1,999,999 b) Major disabling injury c) Substantial legal/ regulatory consequence d) Substantial impact on objective/s, processes or systems e) Prolonged adverse local and national media coverage f) Substantial service disruption g) A substantial number of service user complaints
4	Extreme	<ul style="list-style-type: none"> a) Potential financial loss of over £2m b) Fatality and/or multiple injuries c) Major legal/regulatory consequence d) Major impact on corporate level objective/s e) Major/severe reputational damage/ national adverse publicity f) Central government interest/ administration g) Loss of all critical services for a significant period of time

Likelihood of Risk

Likelihood Scoring Guidance

Threat (Negative) Likelihood Score		
1	Unlikely/ Rare	<ul style="list-style-type: none"> a) 0 - 20% chance of occurrence b) 1 in 20 year event c) May occur only in exceptional circumstances d) Has never or very rarely happened before
2	Could Happen	<ul style="list-style-type: none"> a) 20 - 60% chance of occurrence b) 1 in 10 year event c) Is unlikely to occur but could occur at some time/in some circumstances
3	Likely to Happen	<ul style="list-style-type: none"> a) 60 - 90% chance of occurrence b) 1 in 5 year event c) Will probably occur at some time/in most circumstances
4	Almost Certain	<ul style="list-style-type: none"> a) Over 90% chance of occurrence b) Occurs on an annual basis c) Is expected to occur in most circumstances

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Corporate Risk Register Dashboard – December 2024

Appendix 3

Risk Ref	Risk Title	Risk Lead	Cabinet Member	Residual or Net Risk Scores				Direction of travel during Year
				Q04:23-24	Q01:24-25	Q02:24-25	Q03:24-25	
CR15	Risk CR15 – We may fail to have in place suitable talent attraction, retention and succession planning, staff wellbeing and support	Director of People & Culture	Councillor Jeff Hanna	16	16	16	16	↔
CR23	Risk CR23 – Potential implications of the Dedicated Schools Grant financial deficit	Chief Executive	Councillor Mike Cox	16	16	16	16	↔
CR02	Risk CR02 - We may fail to achieve appropriate outcomes and quality of service for children and young people including potential inadequate safeguarding	Corporate Director for Children's Services	Councillor Richard Burton	12	12	12	12	↔
CR04	Risk CR04 – We may suffer a loss or disruption to IT Systems and Networks from cyber attack	Director of IT and Programmes	Councillor Mike Cox	12	12	12	12	↔
CR09	Risk CR09 – We may fail to maintain a safe and balanced budget for the delivery of services, and managing the MTFP	Director of Finance	Councillor Mike Cox	12	12	12	12	↔
CR20	Risk CR20 – Potential of climate change to outstrip our capability to adapt	Director of Marketing, Comms & Policy	Councillor Andy Hadley	12	12	12	12	↔
CR18	Risk CR18 – We may fail to provide adequate customer interfaces	Director of Customer, Arts and Property	Councillor Andy Martin	9	9	9	9	↔
CR19	Risk CR19 – We may fail to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)	Chief Operations Officer	Councillor Millie Earl	9	9	9	9	↔
CR26	Risk CR26 - Risks Associated with the availability of Generative Artificial Intelligence (GenAI)	Director of IT and Programmes	Councillor Jeff Hanna	N/A	N/A	9	9	↔
CR16	Risk CR16 – We may fail to secure or manage partnerships, miss out on associated funding and be unable to deliver services for communities	Director of Marketing, Comms & Policy		N/A	6	6	6	↔
CR21	Risk CR21 – Impact of global events causing pressure on BCP Council & increase in service requirements	Corporate Director for Wellbeing	Councillor Kieron Wilson	Not reported under review	6	6	6	↔
CR24	Risk CR24 – We may fail to adequately address concerns around community safety and environmental impacts	Corporate Director for Wellbeing	Councillor Kieron Wilson Councillor Andy Hadley	Not reported under review	4	4	4	↔
CR25	Risk CR25 – We may be unable to effectively transform services to achieve efficiencies and improve service standards	Corporate Management Board Collective	Councillor Jeff Hanna	Not reported under review	4	4	4	↔

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Audit and Governance Committee – January 2025

Corporate Risk Register – Risk Table

Risk Ref	Risk Title	Net Risk Score	Risk Status
<u>CR15</u>	<u>We may fail to have in place suitable talent attraction, retention and succession planning, staff wellbeing and support</u>	16	Corporate Risk
<u>CR23</u>	<u>Potential implications of the Dedicated Schools Grant financial deficit</u>	16	Corporate Risk
<u>CR02</u>	<u>We may fail to achieve appropriate outcomes and quality of service for children and young people including potential inadequate safeguarding</u>	12	Corporate Risk
<u>CR04</u>	<u>We may suffer a loss or disruption to IT Systems and Networks from cyber attack</u>	12	Corporate Risk
<u>CR09</u>	<u>We may fail to maintain a safe and balanced budget for the delivery of services, and managing the MTFP</u>	12	Corporate Risk
<u>CR20</u>	<u>Potential of climate change to outstrip our capability to adapt</u>	12	Corporate Risk
<u>CR18</u>	<u>We may fail to provide adequate customer interfaces</u>	9	Corporate Risk
<u>CR19</u>	<u>We may fail to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)</u>	9	Corporate Risk
<u>CR26</u>	<u>Risks associated with the availability of Generative Artificial Intelligence (GenAI)</u>	9	Corporate Risk
<u>CR16</u>	<u>We may fail to secure or manage partnerships, miss out on associated funding and be unable to deliver services for communities</u>	6	Corporate Risk
<u>CR21</u>	<u>Impact of global events causing pressure on BCP Council & increase in service requirements</u>	6	Corporate Risk
<u>CR24</u>	<u>We may fail to adequately address concerns around community safety and environmental impacts</u>	4	Corporate Risk
<u>CR25</u>	<u>We may be unable to effectively transform services to achieve efficiencies and improve service standards</u>	4	Corporate Risk
CR01	Failure to respond to the needs arising from a changing demography.	N/A	Risk removed Q4 2022
CR03	Failure to ensure adequate Information Governance – now Key Assurance – Information governance Board Risk	N/A	Risk removed Q2 2020
CR05	Failure to plan effectively for EU Transition	N/A	Risk Removed Q2 2020
CR06	Failure to adequately respond to an incident involving the activation of the emergency plan– now Key Assurance – Resilience Governance Board Risk	N/A	Risk Removed Q2 2020

Risk Ref	Risk Title	Net Risk Score	Risk Status
CR07	Failure to provide adequate services as a result of an incident requiring a business continuity response—now Key Assurance – Resilience Governance Board	N/A	Risk Removed Q2 2020
CR10	Failure to deliver effective health and safety to protect staff, councillors including the public	N/A	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	N/A	Risk removed Q1 2023
CR12	Failure to achieve appropriate outcomes and quality of service for young people	N/A	Risk removed Q4 2023
CR13	Failure to deliver the transformation programme	N/A	Risk removed Q4 2023
CR14	Continuity of Public Health arrangements for health protection	N/A	Risk removed Q3 2023
CR17	Risk to Reputation of Place & Council if summer arrangements are not managed	N/A	Risk Removed Q3 2022
CR22	Failure of local care market to meet increasing demand	N/A	Risk removed Q4 2023




AUDIT AND GOVERNANCE COMMITTEE

January 2025

CORPORATE RISK REGISTER UPDATE Q3 – 2024/25

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 CR15 – We may fail to have in place suitable talent attraction, retention and succession planning, staff wellbeing and support

Risk Owner – Sarah Deane, Director of People and Culture

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Jeff Hanna, Cabinet Member for Transformation, Resources and Governance

Links to Corporate Objective(s):

Developing a passionate, proud, valued and diverse workforce

Risk Information

A new People Strategy was launched in December 2023 which covers the period from 2024 to 2027. The People Strategy is closely aligned to the corporate vision and ambitions, and the transformation agenda. There are twelve key workstreams in the People Strategy together with a three-year detailed implementation plan. BCP Council needs to have the right staff, at the right time, in the right roles to deliver front line and corporate services effectively and efficiently.

Key outcomes:

- Single pay structure and terms and conditions to ensure fair and equal pay
- High performance culture
- Improved workforce planning
- Improved talent attraction and retention
- Improved wellbeing and absence rates
- Improved leadership development
- Full automation of HR systems to support efficiencies and new ways of working

Risk Causes (definite situational facts affecting our objective) (please list):

The outcome of the third Pay and Reward ballot has resulted in an acceptance of the proposals from UNISON and rejection by GMB. BCP Council will have to review options including dismissal and re-engagement. This could present as a significant risk and may disrupt service delivery as the uncertainty may increase turnover, affect our ability to attract / recruit new talent and impact negatively on employee engagement and wellbeing. Any future resolution of this issue will be complex and require significant resource from People and Culture which will potentially result in reprioritisation and delivery of BCP Council's People Strategy.

As well as the Pay and Reward impact, there remains a national shortage of skills which means that there are still significant recruitment difficulties in some areas of the council. The council is highly dependent on agency workers to plug our resourcing gaps in hard to fill roles. As at the end of October 2024, there are approximately 700 vacancies across the council. Many of our vacant posts are within front line services which impacts on our ability to deliver services to our residents. We currently have 341 live agency assignments covering some of our vacancies and spend is in the region of £18m per annum. Lack of funding for the year two costs associated with the implementation of the People and Culture Target Operating Model will mean that the delivery of some of the key workstreams will be impacted, such as further development of our Talent Acquisition offering and failure to reduce agency spend and recruit into hard to fill roles which may affect service delivery.

Risk Impacts (contingent effect on objective) (please list):

The delivery of services will be affected during the process of dismissal and re-engagement if that eventuality occurs and emerging legislation from the new Labour government will increase the complexity further.

In addition, the following may arise from the process of dismissal and re-engagement:

- Claims of unfair dismissal and constructive dismissal.
- Claims for breach of contract.
- Claims for unlawful deductions from wages.
- Claims for inducement.
- Claims for protective awards.
- Industrial action.
- The raising of internal disputes.



There is a significant amount of uncertainty due to the delay in Pay and Reward, which will continue to destabilise the workforce for a period of time. During this time there will be an increased risk around industrial action; grievances; absence levels; higher turnover with resultant increase in recruitment costs; low morale and employee engagement, together with a negative impact on employees' wellbeing and financial situations. This will mean that some service delivery may be affected.

Reduced capacity in People and Culture if there is no further funding in Year 2, will reduce the ability to support People Strategy work programmes which are clearly aligned to the key corporate ambitions and values of BCP Council. The Talent Acquisition team will be significantly impacted as there will be limited resource to develop our ability to search for and attract permanent staff for our hard to fill vacancies and we will not be able to achieve better value for money by reducing our dependency on high-cost agency staff.

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Resource, Legal, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions

- The gross risk score remains the same due to the Pay and Reward ballot outcome and the corporate leadership team will need to review options and next steps to mitigate and reduce organisational risk
- There will be ongoing discussions and consultation with the trade unions with a view to fully exhausting all possible options to reach agreement
- A growth bid has been submitted for consideration to resource the Talent Acquisition operating model in full. Services continue to work with People and Culture to undertake risk assessment of retention issues in relation to Pay and Reward and look to put mitigation options in place.
- Manager / colleague briefings continue to run to inform colleagues and managers of the Pay and Reward outcome process. Change and wellbeing training sessions continue to be delivered together with signposting to relevant toolkits.



Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	✓

- Corporate Management team need to consider next steps following the Pay and Reward ballot outcome to mitigate organisational risk.
- Services working with People and Culture are undertaking risk assessment of retention issues in relation to Pay and Reward.
- Some key decisions will be made by the trade unions and are therefore outside of our control but mitigations are being considered at every stage to minimize impacts to the organisation.
- At this particular time, it is appropriate to leave the risk at this level.

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	4	16		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Implementation of Pay and Reward	TBC
Action 2:	People Strategy Implementation Plan	2027
Action 3:		
Action 4:		
Action 5:		
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place




Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	4	4	16		

Quarter Update

A third ballot process on the Pay and Reward offer has been held and rejected by GMB members making it highly unlikely that collective agreement will be reached. The risks therefore associated with this outcome are escalating and will be brought about by any alternative options that may be implemented such as dismissal and re-engagement. The Labour government does not support the process of dismissal and re-engagement and legislation changes are proposed through the Employment Rights Bill in 2026 adding further complexity to this ongoing situation. Furthermore, the Council's budget constraints have the potential to impact on the growth bid for additional Talent Acquisition resource which will impact the delivery of the People Strategy and will prevent us from making progress in attracting, resourcing and retaining people into our hard to fill roles. This in turn will mean that the cost of agency staffing is not likely to reduce resulting in reliance of temporary agency workers and destabilisation of the workforce. The impact of Pay and Reward is likely to exacerbate this issue further as employee engagement levels fall and turnover levels increase.

Direction of Travel



Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score	 Increased but risk score already at maximum	A further ballot process has been rejected making it highly unlikely that collective agreement will be reached
Net Score	 Increased but risk score already at maximum	A further ballot process has been rejected making it highly unlikely that collective agreement will be reached
Target Score	 Increased	A further ballot process has been rejected making it highly unlikely that collective agreement will be reached

Risk CR23 – Potential implications of the Dedicated Schools Grant financial deficit
Risk Owner – Graham Farrant, Chief Executive (Cathi Hadley, Corporate Director for Children’s Services and Adam Richens, Director of Finance)
Cabinet Member (BCP Council – Democracy) – Councillor Mike Cox, Deputy Leader of the Council, Vice-Chair of Cabinet and Cabinet Member for Finance
<u>Links to Corporate Objective(s):</u> Using our resources sustainably to support our ambitions
Risk Information <p>The annual funding gap for the High Needs Block of the Dedicated Schools Grant (DSG) is now estimated at £44.5 million for 2024/25, with a deficit management plan developed to eliminate the gap over 15 years. The accumulated deficit forecast for March 2025 is £108m and forecast to be rising to at least £300 million by the end of the 15-year planning period. These figures have increased significantly above original forecast during this year.</p> <p>A statutory override preventing the accumulated deficit from impacting on the financial sustainability of the council ends on 31 March 2026 and there is ongoing discussion within government about this deadline being extended as there is no clear financial route to resolve the accumulated deficit nor a location for the debt to fall to be accounted for if it crystallizes. However, during the financial year 2025/26 the council does not have sufficient cash balances to continue to fund the deficit and an alternative solution needs to be found, either a funding source, or a cut to the services, which are defined by statute. The council cannot borrow to finance high needs revenue expenditure as this is not consistent with the legislative and accounting framework. Consequentially, there is a key risk the council will be unable to set a legally balanced budget for 2025/26, in that it may not be able to meet the cash commitments of its services.</p> <p>There is also the risk that Children’s Services will not be able to limit expenditure to the levels included in the deficit management plan with the accumulated deficit growing more quickly and the need to borrow arising even sooner than forecast, as has happened during this year.</p> <p>Council in October 2024 accepted that the forecast High Needs Budget would now exceed the £62.3m DSG 2024/25 government grant allocation by £44.5m which was £16.5m more than the £28m acknowledged as part of the formal budget setting.</p> <p>A report is intended to be submitted to the Cabinet meeting on 10 December 2024 setting out the scope of this issue and the potential options that the council and the government have.</p> <p>Officers have continually been in contact with senior civil servants about the issues and the Leader has written to government ministers, but to date, no adequate resolution has been offered.</p>
Risk Causes (definite situational facts affecting our objective) (please list): Insufficient grant funding provided to the council by government with growing demand and high costs of provision.
Risk Impacts (contingent effect on objective) (please list): Financial sustainability of the council, including insufficient cash flow to meet normal service expenditure with further risk of illegality from the need to borrow to meet revenue expenditure to maintain appropriate levels of statutory services.
Risk Categories (for impacts) – please see pages 2-5 of this guidance – choose all that apply in either Service or Corporate Categories whichever fits best: <ul style="list-style-type: none"> • Economic – inability to meet financial commitments. • Legal - breach of regulations that prohibit borrowing for revenue expenditure. • Resources – impact on other areas of the council (capital and revenue) as expenditure is limited to preserve cashflow.

- **Reputation** – lack of confidence in the ability of the council to manage its financial affairs as indicated by the issue of a S114 notice (effective bankruptcy).

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions

Dialogue commenced with both the Department for Education (DfE) and the Ministry of Housing, Communities and Local Government (MHCLG) as part of on-going discussions through the DfE Safety Valve programme team and directly with MHCLG Finance Team.

Meetings were held with the DfE over the autumn of 2023 in the development of the DSG 15-year deficit management plan.

A new series of meetings commenced on 14 March 2024 to include officers from DLUHC (now MHCLG) given the severity of the council's financial position and the imperative to find a solution due to the funding gap, inability to reduce High Needs expenditure and the low level of general fund reserves all acting to deplete the council's cash balances rapidly.

The meeting on 14 March 2024 was an opportunity for senior officers to bring DLUHC up to date on the council's financial position (DSG and general fund).

Subsequently the council's Director of Finance wrote to DLUHC, copied to DfE, CIPFA and the External Auditor on the 22 May 2024 requesting their advice, guidance and support in setting a balanced 2025/26 budget considering the council will exhaust its temporary cashflow headroom during 2025/26.

Senior officers of the council met with representatives of the DfE and MHCLG on the 21 August 2024. The outcome was that DfE have commissioned a detailed review by an independent local authority financial specialist to provide them with a report on BCP Council's budget and cash position. DfE have received this report but have not, as at 15 November 2024, shared its contents with the council. The Chief Executive has spoken regularly with senior civil servants from MHCLG and DfE to explain the cashflow crisis and the issue is well known in government, and BCP Council's unique position is well rehearsed.



To complement this process, the Leader of the Council has written to the Secretary of State for Education and the Deputy Prime Minister seeking an urgent meeting to discuss the huge pressures on the council's cashflow and overall Treasury Management. Four of the Members of Parliament have also written in support of the Leader's request.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

Termination: It is impossible to remove or eliminate all risk from an undertaking but it is possible to avoid a particular identified cause.	Chosen strategy/ies: Not possible to eliminate the funding gap through reduced expenditure as there are statutory requirements. Strategy is to secure additional DSG grant.
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.	Not possible - the solution must be additional funding.
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.	The 15-year plan is considered to be an appropriate approach to balance the statutory requirements of the service and stop the escalation of the funding gap annually.
Tolerate/accept: There may be limited ability to do anything about some risks, 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.	No – it cannot be tolerated and government help is being sought.

Net risk Score – this is the rating of a risk with current mitigations in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	4	16		



It is too early to establish if the mitigations have impact as no Safety Valve agreement has yet been secured and Children's Services has not yet provided an action plan linked to the DSG management plan as requested at council in February 2024 for April 2024 Cabinet.

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	A detailed report to October 2024 Cabinet from the Corporate Director for Children's Services on the High Needs Dedicated Schools Grant expenditure forecast and available mitigation measures in 2024/25. Council approval for the additional resources over the approved budget was subsequently obtained.	On going
Action 2:	Children's Services to develop an action plan linked to the DSG management plan to enable the progress of the accumulated deficit to be monitored.	On going
Action 3:	Children's services to improve the data quality of its High Needs commitments to enable robust forecasting and monitoring of expenditure to take place.	30 April 2024
Action 4:	Ongoing conversations with DfE and MHCLG to obtain their advice as to how a balanced budget for 2025/26 can be delivered.	November 2024
Action 5:		
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	4	2	8		




Quarter Update

A report assessing the serious cashflow issue caused by ever-increasing demand and cost outstripping the High Needs Dedicated Schools Grant government funding was presented to Cabinet on the 10 December. This report set out that unless government provides a practical solution and/or an injection of cash, then the council will need to consider a range of potential actions some of which will be highly unpalatable and in breach of legislation and statutory regulations.

Since then, Officers have continued the urgent dialogue with civil servants, and the Leader and MP's have continued to push the Minister and Secretary of State for a satisfactory solution. Currently conversations are focused on a £60m SEND Capitalisation Direction in 2025/26 which would allow the council to borrow to cover the projected excess revenue expenditure on the high needs block over the government grant being made available.

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		
Net Score		
Target Score		

Risk CR02 - We may fail to achieve appropriate outcomes and quality of service for children and young people including potential inadequate safeguarding

Risk Owner – Cathi Hadley, Corporate Director for Children's Services

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Richard Burton, Cabinet Member for Children, Young People, Education and Skills

Links to Corporate Objective(s):

- High quality of life for all, where people can be active, healthy and independent
- Working together, everyone feels safe and secure
- Those who need support receive it when and where they need it
- Skills are continually developed, and people can access lifelong learning
- Intervening as early as possible to improve outcomes
- Working closely with partners, removing barriers and empowering others
- Providing accessible and inclusive services, showing care in our approach

Risk Information

Corporate Context

Safeguarding is the responsibility of all members and corporate officers, and this is reflected in the Corporate Safeguarding Strategy which was agreed by Cabinet in September 2019.

BCP Council had a Special Educational Needs and Disabilities (SEND) inspection in June 2021 which identified significant gaps in services which are being addressed through a SEND Improvement Plan and a Department for Education (DfE) Statutory Notice. A review by the DfE and NHS England (NHSE) in July 2023 concluded that not enough progress was being made and a Statutory Direction from the Secretary of State has been issued to BCP Council.

BCP Council had an Ofsted ILACS (inspecting local authority children's services) inspection in December 2021 and was rated inadequate. Detailed improvement plans have been put in place since that judgement, and there have been 6 monitoring visits and a DfE review which have confirmed that there is progress being made. BCP Council is now waiting for a full ILAC inspection.

Partnerships

BCP Council must ensure that it is working with all partners in the most effective way to identify, assess and respond to safeguarding issues, and those which cut across children's, adults' and community safety. BCP Council does this through various boards: the Pan Dorset Safeguarding Partnership, BCP Children's Safeguarding Board and Community Safety Partnership being examples.

Communities

Key consideration for the Communities directorate in discharging the range of duties provided across a range of services, community safety and domestic abuse.

Children's Services

There is an increase in demand for services and in the complexity of need in children and young people presenting to Children's Services across Children's Social Care and Education and Skills. This is placing demand on resources and budgets. For example, there is an increase in the number of children with complex needs placed in residential care which creates additional pressure on the Children's Service's budget; providers also increase their costs and there is an increase in Education, Health and Care Assessments.

There is a shortage of Children's Services Social Workers nationally, which means that there is a reliance on agency staff which puts pressure on budgets and can affect the continuity and consistency of service to our children and young people. Whilst there has been significant progress in stabilising the workforce the Pay and Reward programme may have an impact on this going forward.

Risk Causes (definite situational facts affecting our objective) (please list):

- Lack of collaboration with partners
- Shortage of staff and staff capacity
- Insufficient specialist local and national placements from both in-house and external provision which also drives up the cost of placements
- Failure to deliver safe service to children and families as per the findings of the Ofsted ILAC inspection December 2021 and the Care Quality Commission/Ofsted SEND Inspection July 2021
- Poor identification and management of risk across the service and partnership



Risk Impacts (contingent effect on objective) (please list):

- Victims, death or serious injury
- Children and Young People being placed further away from networks
- Delays in finding suitable homes
- Poor performance assessment
- Poor staff morale and further retention issues
- Litigation costs and failure to meet legislative requirements
- Council wide economic impact with more children being placed Out of Borough and additional budget pressure
- Adverse media coverage - damaged reputation/public image.

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Customer, physical, legislative, resource, social, contractual, political, reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions**Children's Directorate**

- Focus on the Children's Services improvement journey and SEND improvement journey to ensure core services are safe for vulnerable children and young people
- The strongest mitigation is to have the capacity and resources to meet the rising demand of need across the services and to have the assurance of the quality of practice through new quality assurance frameworks and governance processes
- Robust governance is in place to ensure that improvement continues at pace in both Children's Social Care and SEND
- There is a Children's Services Improvement Board which is chaired by a DfE Advisor and the Board holds services, council and partners accountable for the delivery of improvements as identified in the improvement plan
- There is a SEND Improvement Board which is chaired by a DfE Advisor and the Board holds service, council and partners accountable for the delivery of improvements identified in the improvement plan
- There is an Education Improvement Board in development which is chaired by the Director of Children's Services and the Board holds service, council and partners accountable for the delivery of the improvement plan



- DfE Advisor and Improvement Officers have been assigned by the DfE to oversee and support the improvement of services as identified in the Statutory Notices to Improve by the Secretary of State (Children's Social Care and SEND)
- BCP Children's Services has had 6 Monitoring Visits by Ofsted all reporting improvements in service delivery and the DfE Advisor reports cautious optimism on the improvements in the service
- Education Services are subject to termly Ofsted Monitoring meetings which oversee improvement and hold the service accountable for meeting statutory standards
- Sector Led Improvement Partner carries out Assurance Auditing as an independent review to assure the service and DfE of the quality of practice. They report improvements
- A Quality Assurance Framework has been embedded into Children's Social Care practice giving the assurance that improvements are being made. Practice Learning Reviews (audits) now evidence practice consistently at 'requires improvement' with an increasing number of 'good' demonstrated. Governance processes introduced in 2022 continue to review practice and give increasing assurance that children are safeguarded. Ofsted in their Monitoring visit 6 stated that they considered children to now be safe in BCP
- Scheme of Delegation reviewed and updated for Children's Services
- Monthly budget management meetings between finance and budget holders
- Financial accountability is held at Senior Leadership Team and Building Stronger Foundations (BSF) Board through reporting by the Finance Manager.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	3	12		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Deliver on the Children's Services Improvement Plan <ul style="list-style-type: none"> Raise the quality of practice to improve the experiences and progress of children who need help and protection Raise the quality of practice to improve the experiences and progress of children in care and care leavers. 	April 2025
Action 2:	Deliver on the SEND Improvement Plan (8 areas for improvement)	June 2025
Action 3:	Deliver on the Education Improvement plan	June 2025
Action 4:	Create an environment where BCP children and young people are understood to be everyone's responsibility in BCP and all BCP and partner services own this and take accountability	April 2025
Action 5:	Ensure the BCP model of Corporate Support services and systems is fully conducive to the children's improvement journey	April 2025
Action 6:	Sufficient suitable accommodation available for our Care Experienced young people and placement choice of good quality locally for children in care	June 2025

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	4	2	8		

Quarter Update

Children's Directorate

- There is continued focus on the Children's Services improvement journey and SEND improvement journey overseen by the DfE Advisor and data and highlight reports continue to evidence improvements to service delivery to vulnerable children and young people
- Quality Assurance activities evidence clear service improvements
- BCP Children's Services has had 6 Monitoring Visits by Ofsted all reporting improvements in service delivery and we are now awaiting the full ILAC inspection
- Sector Led Improvement Partner continues to carry out Assurance Auditing as an independent review to assure the service and DfE of the quality of practice. They report improvements
- The Sector Led Improvement Partner has changed to Islington and the Hampshire team reported significant improvements in their closure report

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score	↔	
Net Score	↔	
Target Score	↔	

Risk CR04 – We may suffer a loss or disruption to IT Systems and Networks from cyber attack
Risk Owner – Sarah Chamberlain, Director of IT and Programmes
Cabinet Member (BCP Council – Democracy) – Councillor Mike Cox, Deputy Leader of the Council, Vice-Chair of Cabinet and Cabinet Member for Finance
<u>Links to Corporate Objective(s):</u> Working together everyone feels safe and secure
Risk Information BCP Council relies heavily on digital technology and online capability, including in the delivery of essential and public-facing services. The COVID-19 pandemic emphasised BCP Council’s reliance on digital technologies, both through personal communication and through the council’s ability to work remotely in support of the local and national response. Disruption can come in many forms (some described below), both deliberate through acts of cyber-crime, or accidental through loss of hardware or infrastructure. Both can cause immense disruption to the council by denying staff and public access to key services. Even traditional face-to-face services can be impacted by a loss of IT systems as many back-office functions rely entirely on the availability of computers and data. Nationally, the threat of cyber-attacks remains high on the UK.GOV National Risk Register, featuring prominently across the register with the potential for disruption to national infrastructure, finance, telecommunications, transport and social care systems. Cyber is ranked the number one surveyed risk by the Business Continuity Institute moving into 2024. While there are huge opportunities and benefits for the council by continuing to actively leverage technology in support of the transformation agenda, our vulnerabilities become greater as we increasingly rely on cyberspace.
Risk Causes (definite situational facts affecting our objective) (please list): Some of the highest risk causes include: Phishing attacks: These attacks use social engineering tactics to trick individuals into revealing sensitive information, clicking on malicious links or trying to defraud the council of money. These often lead to further breaches by allowing the attacker to gain access to the council’s systems and data. Ransomware attacks: These attacks involve encrypting the council’s data and demanding payment in exchange for the decryption key. Insider threats: These threats can come from employees, contractors, or other individuals with access to the council’s systems and data. Supply chain attacks: These attacks target third-party vendors or suppliers to gain access to the council’s systems and data.
Risk Impacts (contingent effect on objective) (please list): A loss or disruption to IT systems, specifically those caused by cyber-attacks, can incapacitate essential networks, for example, by encrypting or destroying data on which vital services depend. Such attacks could cause a variety of real-world harm if services like Social Care, Housing or Place (Highways etc.) are impacted.



Financial loss is the most common impact through both direct loss of funds as well as recovery costs, reputational impacts or Information Commissioner's Office fines.

Public confidence may be affected if the council is not able to adequately protect its IT systems and networks against loss or disruption, whether caused accidentally or intentionally.

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Technological, Customer/Citizen, Economic, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions

IT and Programmes have in place robust mitigations to assist in the management of this risk, however this is still considered a “when, not if” event and the risk will never be totally mitigated. Continued focus on end-user training as it is ALL staff and Members that provide the best and last line of defence against cyber attacks. Please see the October 2024 IT Security Course Completion Rates at the end of this section, which is showing an upward trend in completion rates amongst most areas of the Council.



Additionally, the IT and Programmes Director is actively contacting those who are non-compliant with completion of this training to ask them to resolve. We have seen an upturn in corporate completion since May 2024 from 63% to 70% and our aim is to continue to increase this.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
Termination: It is impossible to remove or eliminate all risk from an undertaking but it is possible to avoid a particular identified cause.	No
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.	Partial
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.	Yes
Tolerate/accept: There may be limited ability to do anything about some risks, 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.	Yes

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	3	12		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		Ongoing
List All Significant Actions Below:		
Action 1:	<p>Training and increase user awareness of risks:</p> <p>ITSEC teams continue to deploy monthly cyber awareness training to all staff digitally. There are no plans to cease this training currently and will continue if funding provides.</p> <p>IT & Programmes are now providing regular reports on overall staff and member completion rates to Managers.</p> <p>As of December 2024, overall completion rates for all Officers and Members stands at 71%.</p>	Ongoing
Action 2:	<p>Increased cyber detection and response tooling:</p> <p>Annually, IT and Programmes undertake an exercise to bid for capital or additional revenue funding to improve or maintain its IT infrastructure and cyber security posture.</p> <p>This financial year the ITSEC team are seeking funding to support the creation of a 3rd ITSEC position to provide valuable operational support in dealing with user queries and incident investigation.</p> <p>This will significantly help bolster the ability of the IT Security Team to be more proactive in threat detection and mitigation than it is currently able to due to the volume of work.</p>	Ongoing

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	3	3	9		

Quarter Update

Overall IT security course completion rates remain around the same (c.70%) across the entire council. This is expected since each month new courses are added for staff and members to complete.

Older IT security courses have been archived and staff and members are no longer prompted to complete these.

Growth Bid submitted for consideration to appoint a third IT Security Officer to support the team's workload.

BCP Council continues to build resilience against cyber risks.

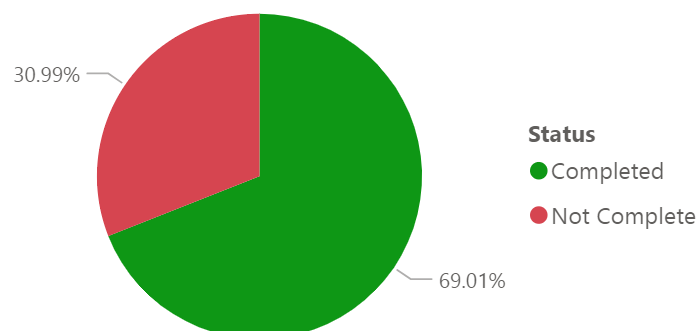
Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score	↔	Gross risk remains the same.
Net Score	↔	The Net score remains pertinent.
Target Score	↔	Target score remains valid.

October 2024 IT Security Course Completion Rates:

Completion rates across all IT Security Online courses:



Risk CR09 – We may fail to maintain a safe and balanced budget for the delivery of services, and managing the MTFP

Risk Owner – Adam Richens, Director of Finance

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Mike Cox, Deputy Leader of the Council, Vice-Chair of Cabinet and Cabinet Member for Finance

Links to Corporate Objective(s):

Using our resources sustainably to support our ambitions

Risk Information

The 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 2024/25 Budget and Medium-Term Financial Plan (MTFP) covering the period to 31 March 2028 was approved by Council on 20 February 2024. There were two main aspects to this report:

- A) 2024/25 Financial Year budget was based on the following:
- 4.99% Council Tax increase (2.99% basic and 2% Social Care Precept) in line with the maximum threshold for upper tier authorities
 - £38m of savings, efficiencies, increases to fees and charges, and service reductions of which £13.5m is in relation to transformation
 - Provision of £7.5m in extra resources to cover demand and inflationary pressures, including any pay changes, in the council's highest priority area, Children's Services
 - Provision of £15.2m in extra resources to cover demand and inflationary pressures, including any pay changes, to the most vulnerable members of our community via investment in Wellbeing Services be that adult social care or housing services
 - Elimination of the £30m structural deficit/funding gap created by using £30m of reserves to balance the 2023/24 budget.
- B) 2025-28 Financial Year:
- The medium financial plan up 31 March 2028 as at the February 2024 report is balanced in every year. This of course is subject to change and delivery of the savings that underpin the future year assumptions
 - Items which have aided this are the application of one-off resources from the fundamental review of the business rates collection fund to improve the council's financial health, sustainability and resilience and cover for one-off or time-limited issues such as the phasing in of certain saving proposals over a period of more than one-year.

Risk Causes (definite situational facts affecting our objective) (please list):

- Expenditure of the authority is higher than all available sources of income.



Risk Impacts (contingent effect on objective) (please list):

- S151 Officer would be required to issue a formal s114 report.

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

- Customer/Citizen, Economic, Political, Reputational

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions



- Quarterly budget monitoring reports to Cabinet
- Microsoft Dynamics Enterprise Resources System implemented in April 2023 to improve the provision of financial management information underpinned by the principle of self-service. Therefore, real time budget monitoring information made available to budget holders
- Regular meetings between Portfolio Holders and Senior Officers in respect of the financial strategy and the budget position
- Council (February 2024): the implementation of a freeze on all non-essential expenditure from 1 April 2024 and until such time as the Corporate Management Board have provided Cabinet Members with assurance that all the £38m of 2024/25 budget savings have been delivered
- Regular monitoring of delivery against the £38m savings assumptions.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	3	12		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Cabinet report: Quarter 2 Budget Monitoring Report 2024/25	December 2024
Action 2:	Cabinet report: MTFP Update report	December 2024
Action 3:	Cabinet report: Assessing the serious cashflow issue caused by ever-increasing demand and cost outstripping High Needs Dedicated Schools Grant government funding.	December 2024
Action 4:	Public Consultation	To end by December 2024
Action 5:	Cabinet report: 2025/26 Budget report and MTFP Update	February 2025
Action 6:	Cabinet report: Quarter 3 Budget Monitoring report 2024/25	February 2025
Action 7:	Cabinet report: Financial Outturn report 2024/25	June 2025

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	4	2	8		

Quarter update

MTFP Financial Plan updates have been presented to Cabinet in both July, October and December 2024. These reports have set out:

- The aim to continue to maintain a balanced 2025/26 budget forecast by considering the impact that various assumptions would have on the underlying approved position and taking mitigating action where necessary.
- A proposed financial strategy to support the delivery of a robust and financially sustainable budget for 2025/26.
- A proposed budget planning process and timeline for key financial reports.
- The outcome of the CIPFA Financial Resilience Review undertaken in the summer/autumn of 2023 and finalised in the spring of 2024.
- Details of the letter written by the council's Director of Finance to Ministry for Housing, Local government and Communities (MHCLG – previously DLUHC) setting out the challenges the accumulating deficit on the Dedicated Schools Grant is having on the ability to set a balanced budget for 2025/26 and the ongoing conversations with government aimed at determining the way forward.

Quarterly Budget Monitoring reports have been presented to Cabinet in September and December 2024.

In addition, the council's constitution has been updated by way of a new Budget and Policy Framework Procedure Rules and Budget Overview and Scrutiny arrangements have been enhanced in support of the 2025/26 process.

The finance reports to Cabinet in December 2024 set out the following.

- a) Government have yet to provide advice and guidance as to how the council can set a legally balanced budget for 2025/26 on the basis that it will no longer have the Treasury Management headroom to fund the Dedicated Schools Grant High Needs Deficit.
- b) A Quarter 2 forecast of a £3m deficit for 2024/25. The report outlined the commitment of officers to working tirelessly to bring this forecast back into balance including the implementation of individual mitigation strategies and a tightening of the current expenditure controls.
- c) A gap opening up in the developing budget for 2025/26 caused principally by the impact of the National Living Wage and increasing in National Insurance announced in the Chancellor's 30 October 2024 national Budget Statement.

As set out in the update on CR23 currently conversations with MHCLG are focused on exploring a £60m SEND Capitalisation Direction in 2025/26 which would allow the council to borrow to cover the projected excess revenue expenditure on the high needs block over the government grant being made available



Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score	↔	
Net Score	↔	
Target Score	↔	

Risk CR20 – Potential of climate change to outstrip our capability to adapt
Risk Owner – Isla Reynolds, Director of Marketing, Comms & Policy
Cabinet Member (BCP Council – Democracy) – Councillor Andy Hadley, Cabinet Member for Climate Response, Environment and Energy
<u>Links to Corporate Objective(s):</u> <ul style="list-style-type: none"> • Climate change is tackled through sustainable policies and practice • Using data, insights and feedback to shape services and solutions
Risk Information <p>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.</p> <p>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 2045 respectively (the latter having been agreed by Cabinet on 6 March 2024).</p> <p>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.</p> <p>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.</p>
Risk Causes (definite situational facts affecting our objective) (please list): Floods, sea level rise and coastal change, changes in temperature and rainfall.
Risk Impacts (contingent effect on objective) (please list): Floods will have a significant impact on infrastructure causing damage to buildings and wide-scale disruption to service delivery; 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. 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).
Risk Categories (for impacts) – please see pages 2-5 of this guidance – choose all that apply in either Service or Corporate Categories whichever fits best: Citizen, Social, Environmental, Economic, Physical, Resource, Political, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions

Physical risks mitigations in place:

The most immediate risk to the BCP area comes from Flooding and Coastal Erosion. As a result, most of the council's adaptation resources have been dedicated to addressing these. The Climate Annual Progress Update to Cabinet on 6 March 2024 outlined activity as follows:



The Flooding and Coastal Erosion Risk Management (FCERM) team have been involved in joint authoring of the draft BCP Local Plan policies relating to flood risk, coastal change risk and Sustainable Urban Drainage to support BCP's development agenda for the next 15 years. A Strategic Flood Risk Assessment (SFRA) is also in preparation to support the Local Plan, which includes a new assessment for BCP's open coast to establish the risk from wave action. A new Christchurch Bay and Harbour FCERM Strategy is in preparation for managing flood and coastal erosion risks for the next 100 years in a sustainable way from Hengistbury Head to Hurst Spit, as is a new integrated cliff management strategy for all of the BCP area sea cliffs and chines. The team is also preparing a new beach management plan that will draw together historic information on how beaches between Sandbanks and Hengistbury Head have been managed, to create a single reference for how the beach is managed to ensure it provides its vital coast protection function.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place and flooding and coastal erosion management measures in place as described above.



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	4	3	12		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Appointment to new post to begin work on an Adaptation Strategy (will be resolved when Directorate restructuring is completed and included in the 3 new posts created – see below)	Jan 2025
Action 2:	Increasing capacity within the Climate team, 3 x new sustainability officers to be recruited – advertised and applications received	Jan 2025

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	4	2	8		

Commitment.

Quarter Update

The council has joined the UK100 initiative of local authorities wanting to increase efforts to address climate change. In doing so, the council has revised its area-wide climate target date to 2045.

The application process has been completed for Head of Sustainability, Policy and Inclusion and 3 Sustainability Officers, which will take forward work on climate adaptation and mitigation. Interviews will take place in December 2024.

Joint working with Dorset Council and other public sector bodies on a Climate Change Risk Assessment has commenced to identify a universally-used methodology and create an Action Plan for the Public sector.

A Greenhouse Gas emissions dashboard is nearing completion, which will give easy access to the council's progress against its climate targets and enable the public to understand the work of the




council and partners in addressing the issue. This will be used to communicate the annual report on the Climate and Ecological Emergency progress.

Work on the Local Area Energy Plan is continuing and will culminate in the publication of the plan in January 2025, outlining the changes needed in the energy system to set the BCP area on a net zero carbon trajectory.

The new Carbon Neutral Steering Group is establishing interim targets for the council's carbon neutral by 2030 commitment.

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		A certain level of climate change is ensured due to emissions already in the atmosphere
Net Score		Actions taken to protect and adapt will be effective against predicted climate change
Target Score		Further adaptation and mitigation actions will further reduce the risk, but not remove it altogether

Risk CR18 – We may fail to provide adequate customer interfaces

Risk Owner – Matti Raudsepp, Director of Customer and Property

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Andy Martin, Cabinet Member for Customer, Communications and Culture

Links to Corporate Objective(s):

Providing accessible and inclusive services, showing care in our approach

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.

Risk Causes (definite situational facts affecting our objective) (please list):

- The end-to-end customer journey is affected by a range of factors, both within the Contact Centre and also within services. Delays in redesigning any aspect of the journey can impact the customer experience
- The availability of new digital functionality may arise incrementally which means that in the short term the management of customer contact can become more, not less, complicated, potentially impacting the customer experience



Risk Impacts (contingent effect on objective) (please list):

- Call answering performance that does not meet customer expectations. Customer contact subject to ongoing handoffs to services, which may complicate and extend the process and increases the risk of failure and customer dissatisfaction.
- Customers in need of important support fail to receive a timely response to address their needs

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

- Customer/Citizen
- Technological
- Political

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	3	12		

Mitigations in Place & Completed Actions



- Temporary funding for 2022/23 ended in March 2023 which resulted in a reduction of approximately 20 staff that had been used to improve call response performance. Call response times have fallen back as a consequence.
- Call handling performance data is available to monitor performance on a line-by-line basis, which can support the allocation of available staff resources. The implementation of the council's Target Operating Model along with streamlined technology and processes is anticipated to mitigate the loss of temporary funding, but it is anticipated that there will be pressure on capacity in the interim.
- New BCP website successfully launched, replacing legacy sites, allowing for further development based on a single platform.
- Web pages under review and being rewritten to ensure clarity, and as a basis to support development of further online digital functions.
- New Contact Centre telephony system successfully implemented in December 2023.
- New Customer Relationship Management (CRM) system now in place with legacy digital functionality being updated within new system. This creates additional opportunities for improving existing and new online services.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	3	3	9		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Implementation of improved corporate telephony solution	Dec 2023 Completed
Action 2:	Launch of new website - improved platform for digital solutions	Dec 2023 Completed
Action 3:	Implementation of selected, high volume, high impact customer journey improvements	April 2024 Ongoing
Action 4:	Service redesign to improve and simplify customer journeys	Ongoing
Action 5:	Complete next phase of the new Dynamics Customer Relationship Management (CRM) system, which provides a platform for new digital service development	April 2025
Action 6:	Complete rewrite of website pages	February 2025

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place




Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	2	1	2		

Quarter Update

The introduction of the new CRM system has allowed for the updating of legacy online functionality and the potential development of new online services. The initial focus has been on replicating pre-existing functions in the new system with the development of new solutions to come as capacity becomes available. This means brand new online functions which would represent tangible progress in the eyes of customers are yet to happen at scale. It is also recognised that the development of the ICT foundations upon which new online functions can be built has taken longer than originally anticipated. This has impacted the redesign of customer journeys which will aim to simplify the experience for customers in making contact with the council, whether that is online, face to face or by phone. In the next quarter, additional focus will be given to the work necessary to review customer journeys, with consideration for the resource impacts of moving forward more quickly. This may need additional capacity and resources. In the meantime, the Customer Contact Centre continues to manage its resources as efficiently as it can in the context of high levels of demand and whilst new digital functionality is developed.

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		A great deal of progress has been made, but changes have largely been around creating the digital foundations for further improvement. Customers may not immediately recognise all the work that has taken place which can in some cases initially make their experience more frustrating (having to re-register etc)
Net Score		Current levels of demand and overall progress in delivering new online functions has inhibited our ability to mitigate this risk significantly, but the foundations are developing and the focus over the next 6 months will be to identify the quick wins that can make a tangible difference to our customers, whilst the overall improvement journey continues
Target Score		

Risk CR19 – We may fail to determine planning applications within statutory timescales, or within agreed extensions of time (EOT)

Risk Owner – Glynn Barton, Chief Operations Officer

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Millie Earl, Leader of the Council and Chair of Cabinet

Links to Corporate Objective(s):

Good quality homes are accessible, sustainable and affordable for all
Providing accessible and inclusive services, showing care in our approach

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	2023/2024
Majors	60%	83%	80%
Minors	70%	79%	70%
Others	70%	85%	86%

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 when minors and others are combined. It is recognised that the above statistics include use of Extensions of Times (EOT) 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, especially for non-majors.

The weekly Planning Performance Strategic Co-ordinating Group (SCG) and Tactical Coordinating Group (TCG) monitor performance and identify any trends in downward performance, putting interventions in place.

Risk Causes (definite situational facts affecting our objective) (please list):



- Workloads
- Staff (both number and experience levels)

Risk Impacts (contingent effect on objective) (please list):

- Reduced speed of decisions
- Increase backlog
- Reduced quality of service

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:
Customer/Citizen, Environmental, Political, Reputational

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	3	4	12		

Mitigations in Place & Completed Actions



- A Planning Improvement Board continues to monitor performance and to ensure mitigations are on track.
- A weekly Emergency Planning approach was introduced in summer 2023 to monitor and manage the planning caseload backlog. This approach has begun to have a positive impact on the older cases being dealt with.
- A senior officer has been appointed to assume responsibility for managing this backlog of older cases. These cases are being systematically reviewed with significant reductions in the oldest with 25 of the oldest determined since the performance management regime was started at the end of May 2023.
- Recruitment process is ongoing to replace contractors with permanent members of staff.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	3	3	9		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Recruitment process (on going)	01/07/2024
Action 2:	Reduce backlog	01/10/2024
Action 3:		
Action 4:		
Action 5:		
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place




Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	3	2	6		

Quarter Update

- Recruitment process has been successful and is on going. New starters to join in 2025.
- Has taken time to bed in new staff and get them up to speed on processes and systems.
- Backlog has continued to reduce albeit at a lower rate.
- Performance against government targets remains high for the quarter

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		Progress has been made in the quarter but it is too short to show significant change
Net Score		As above
Target Score		As above

Risk CR26 – Risks associated with the availability of Generative Artificial Intelligence (GenAI)

Risk Owner – Sarah Chamberlain, Director of IT and Programmes

Cabinet Member – Councillor Jeff Hanna, Cabinet Member for Transformation, Resources and Governance

Links to Corporate Objective(s):

- Using data, insights and feedback to shape services and solutions
- Intervening as early as possible to improve outcomes
- Working closely with partners, removing barriers and empowering others
- Creating an environment for innovation, learning and leadership

Risk Information

Artificial intelligence (AI) is a way of using computers to replicate human intelligence - Generative AI (GenAI) is one of many forms of AI.

GenAI produces texts, images and other content from people telling the model what to do (sometimes referred to as 'prompting'). GenAI models have learnt from a huge amount of information, often taken from the internet, to produce this content.

GenAI can already be accessed by staff and Members through:

- Websites (e.g. ChatGPT, Bing or Dal-E)
- Individual apps for personal computers or phones (e.g. Google Assistant lets you ask when your first meeting is)
- Plug-ins for websites (e.g. Expedia allows people to use GenAI to ask for travel plans and flight details)
- New features within computer software (e.g. Microsoft CoPilot and CoPilot365)

Currently, GenAI is most used to support individual tasks and act as a personal assistant. For example:

GenAI can help you be more creative:

- Create images and videos from scratch by simply telling a tool what you want to see
- Come up with lots of new ideas in seconds - for example, coming up with icebreakers for meetings

It can help you be more productive:

- Create first drafts of an email or document for you to finish writing, and then find ways to improve the quality of your writing once you have done so
- Quickly find sources of information and break down complex topics into easy-to-understand information
- Summarise meeting notes and documents

However, improvements and the widespread availability of GenAI tools means it can also be used for many other tasks, changing how we work, how residents engage with us and how the council runs and makes decisions.

The Local Government Association has identified several key risks the use of GenAI places on councils ([external link to LGA website](#)).

The risks identified include insufficient data foundations, a lack of capacity or knowledge within information governance and data protection teams, the perpetuation of digital exclusion and wider forms of exclusion, insufficient knowledge across different business areas in the council, a lack of transparency, job losses, and the impact on resident trust if not implemented transparently and appropriately.

To achieve a balance between innovation and regulation, this high-level risk will attempt to lay out some of the early identified risks, and potential mitigation, that BCP Council will consider as it embraces the use of GenAI within the organisation.

Risk Causes (definite situational facts affecting our objective) (please list):

Trust and Transparency: There are risks about the potential for GenAI to generate misleading or false information, also known as “hallucination”. This could lead to the spread of misinformation or disinformation or even lead to incorrect advice being provided to residents if unchecked.

Ethics and Bias: GenAI models can inadvertently perpetuate or amplify existing biases present in the data they were trained on. This could lead to unfair or discriminatory outcomes.

Data Privacy: GenAI often requires access to large amounts of data for training and operation. Ensuring the privacy and security of this data is a significant concern. Without sufficient technical controls or user-training in place it is likely that potentially sensitive data will be exposed.

Misuse of Technology: GenAI could be used for political propaganda, compromising local/national security, leaking confidential data, vexatiously increasing council officer workloads, and disseminating inaccurate information.

Cybersecurity Risks: As with any digital technology, GenAI systems can be vulnerable to cyber-attacks or can be leveraged to initiate more complex or sophisticated attacks (such as spear-phishing).

Erosion of Public Trust: If not properly managed, the issues above could lead to a loss of public trust in the council's use of GenAI and data in general.

Risk Impacts (contingent effect on objective) (please list):



As described above. The impacts are largely financial or reputational:

- Financial impacts through fines if data breaches occur without appropriate technical, procedural or policy controls being in place
- Reputational impacts with residents and erosion of trust in council use of data
- Increasing cyber security risks (CR04)

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Technological, Customer/Citizen, Economic, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	4	4	16		

Mitigations in Place & Completed Actions



- Microsoft CoPilot365 GenAI tool is currently only in a Project Managed proof of concept stage amongst 300 colleagues from all areas of the council. Review of pilot and next steps linked to Data & Innovation Programme being shared and scoped.
- BCP Council's existing [Information Security Policy](#) already describes expected staff and Member behaviors in respect of responsible use of IT in general (however does not currently refer to responsible use of GenAI tools).
- IT Security Training published to all staff and Members, and available through the MetaCompliance Training portal, available on the general subject of the risks and responsible use of AI (published in August 2023 and April 2024).
- Rules regarding ethical and responsible use of AI published to Our Intranet – under review with Corporate Communications to publicise this to all staff and Members.
- Draft Digital White Paper and strategy document to be reviewed and agreed with Corporate Management Board.
- AI briefing and overview to be scheduled with councillors.
- Data Loss Prevention (DLP) initiative being progressed and led by Information Governance to put in place an information classification scheme to be applied to all council documents.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
Termination: It is impossible to remove or eliminate all risk from an undertaking but it is possible to avoid a particular identified cause.	No
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.	No
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.	Yes
Tolerate/accept: There may be limited ability to do anything about some risks, 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.	Yes

Net risk Score – this is the rating of a risk with current mitigations in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	3	3	9		

All Significant Actions to Achieve Proposed Target Risk Score:



Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

	Due Date/s:
Overall Target Score Expected Completion Date:	

List All Significant Actions Below:		
Action 1:	<p>Develop and implement GenAI Strategy document. Should describe:</p> <ul style="list-style-type: none"> • How use of GenAI will be governed within BCP Council • How BCP will be training staff and Members and providing regularly updated guidance on the responsible use of GenAI to support their work • To our residents, how BCP will use GenAI, especially if we start to use it to support public facing or critical service areas • How BCP Council's professional areas (IT, Information Governance, Legal, Risk, Audit etc) will continue to account for potential future uses of Generative AI, ensuring all necessary technical infrastructure, safeguards and policies are in place for responsible uses and are compliant with required legislation (UK GDPR etc) <p>UPDATE: Work underway to scope and draft documentation linked to BCP Digital Strategy and the BCP Technical Strategy and Standards already in place. Corporate Management Board agreement planned through workshop activity early in 2025.</p>	January 2025
Action 2:	<p>Implement Microsoft Data Loss Prevention (DLP).</p> <p>CoPilot and CoPilot365 has access to whatever data the user has access to. It is therefore imperative that additional technology is implemented to help mitigate the risks of staff or Members "sharing" content that could make it visible to a wider set of users than intended.</p> <p>DLP is a security solution, already available under existing licencing (but not enabled), that identifies and helps prevent the unsafe or inappropriate sharing, transfer or use of sensitive data contained in the M365 eco-system (Teams, OneDrive, SharePoint).</p> <p>A project has been agreed and is currently being scoped to deliver DLP and timelines for deployment will be published in due course.</p> <p>UPDATE: The first phase of testing has been completed with a report due to CMB soon to advise on the recommended Data Classification Scheme to adopt across all Office documents.</p>	In progress, to be implemented April 2025
Action 3:	<p>Establish an Information Classification Policy (ICP) that can be applied to DLP tooling.</p> <p>BCP has an established Information Governance Policy however this does not currently specify a standardised set of information classification labels (e.g. Restricted, Controlled, Public) that can be applied to ALL unstructured data held within the M365 ecosystem. This will help mitigate risks around data loss as it will enable GenAI tools such as CoPilot and CoPilot365 to make use of applied labels when determining access rights.</p> <p>UPDATE: The first phase of testing has been completed with a report due to CMB soon to advise on the recommended Data Classification Scheme to adopt across all Office documents.</p>	Jan 2025

Action 4:	<p>Develop and publish GenAI Responsible Use Guidance & Training for all staff and Members.</p> <p>UPDATE: A document describing the “Seven Rules to Responsible Use of AI” has been written and published to Our Intranet, using experience/advice from local authorities ahead of BCP in this space. IT are currently working with Corporate Communications to make this guidance known to all staff and Members.</p> <p>High level “AI Awareness” training has already been delivered to all staff and Members in 2023 and 2024 as part of mandatory training. Further training is expected but not yet planned.</p>	November 2024
Action 5:	<p>Formation of AI Governance Board for long term policy setting and decision making around appropriate use of specific GenAI tools for agreed use-cases. Linked to Data & Innovation Programme.</p> <p>UPDATE: We maintain conversations with other local authorities and business to understand approaches in other organisations. An ‘AI Council’ or governance board is recommended and will be approached as a deliverable within the Data & Innovation Programme.</p>	April 25
Action 6:	<p>Update BCP Council’s Information Security Policy referring to any agreed GenAI Responsible Use Guidance & Training (as described in Action 4).</p> <p>UPDATE: Actively in Progress. The IT Security Team are actively working with Information Governance colleagues to ensure this policy is updated.</p>	November 2024
Action 7:	<p>Consider any upskilling/resourcing of the council’s Information Governance Teams to be able to provide effective professional advice to support any established AI Governance bodies and wider colleagues. Our Data & Innovation Programme will have a key workstream focusing on how our organisation is set up operationally to support our Digital Strategy and requirement for strong governance in support of this.</p> <p>UPDATE: Still recommended but not started, this is being scoped within deliverables for the Data & Innovation Programme.</p>	April 2025
Action 8:	<p>Develop IT and Programmes expertise on the topic of GenAI through formal training. Several staff in IT and Programmes are just starting a 13-month programme called “AI for Business Value”. Topics covered include AI ethics, Identifying Opportunities for AI, Managing AI change in your organisation and Measuring AI ROI and Business Impact.</p> <p>UPDATE: AI business analysis training underway as described above for 5 staff within IT and Programmes. Additionally, we have extended our training offering across the organisation and are seeing some very positive uptake.</p>	In progress

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	3	2	6		

Quarter Update

Actions updated with latest status in sections above.




Overall, the risk remains the same. Whereas progress has been made with developing simple user rules, there remains a substantial amount of work to put into place effective senior governance that can decide and dictate where ethical/legal AI use could potentially be explored where it provides efficiency or productivity savings.

Recent surveying of a small subset of GenAI users (approx. 300) currently trialing the CoPilot365 AI tool, has indicated that there are potentially significant efficiencies or value to be gained by using AI in areas such as redactions, translation services, document creation, meeting administration and summarization. However, there remains considerable reticence to use the technology in areas such as Social Care whilst little exists in the way of senior guidance re AIs ethical or legal use.

There has been no formal and bespoke training for Members around AI. However, Members are asked to ensure they have completed all mandatory IT security training where a high level AI awareness course is already available.

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		No change to gross score
Net Score		No material change to net score
Target Score		Target score remains unchanged

Risk CR16 – We may fail to secure or manage partnerships, miss out on associated funding and be unable to deliver services for communities

Risk Owner – Isla Reynolds, Director of Marketing, Comms & Policy

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Millie Earl, Leader of the Council and Chair of Cabinet

Links to Corporate Objective(s):

Working closely with partners, removing barriers and empowering others

Risk Information

The new Corporate Strategy focuses on working with partners and enabling communities. As the council moves to this model of delivery that relies more on working with others and securing funding through partnerships, there is a risk of a negative impact on communities if partnership working fails or is not optimal.

This risk could occur due to:

- poor working relationships with or between partners
- inability to secure funding available via partnership working

Partnerships can include other agencies such as the police, other councils or organisations such as BIDs (Business Improvement Districts) and specialist boards (eg Destination Marketing Board). A helpful definition is in the Council's Partnership Guidance: "a partnership is any arrangement involving the Council and one or more other organisations (from any sector) who share the responsibility for agreeing and subsequently delivering a set of actions and outcomes that support or contribute to achievement of the Council's corporate priorities."

Risk Causes (definite situational facts affecting our objective) (please list):

- Lack of resources to manage partnership relationships effectively
- Lack of resources or ability to identify and engage in partnership working and funding opportunities
- Changes to partner objectives, funding or behaviour
- Policy changes and funding opportunities following the recent change of government



Risk Impacts (contingent effect on objective) (please list):

- Poor relationships impede delivery of services to communities
- Lack of funding impacts delivery across various services (depending on partnership)

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Economic, Social, Environmental, Citizen, Resource, Physical, Political, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	3	3	9		

Mitigations in Place & Completed Actions



- Partnership governance guidance in place
- Partnership register in place

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	3	2	6		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Communicate Partnership Guidance to staff	October 2024
Action 2:	Review and update the Partnership Register	October 2024
Action 3:		
Action 4:		
Action 5:		
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	3	1	3		

Quarter Update

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		
Net Score		
Target Score		

Risk CR21 – Impact of global events causing pressure on BCP Council & increase in service requirements

Risk Owner – Jillian Kay, Corporate Director for Wellbeing

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Kieron Wilson, Cabinet Member for Housing and Regulatory Services

Links to Corporate Objective(s):

Working together everyone feels safe and secure

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
- Communities for Afghans 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:

- Potential homeless presentations from Ukrainian refugees should the H4U scheme support from government (financial incentives to sponsors) be discontinued
- 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 Homelessness services as asylum seekers receive positive decisions on their applications and are given notice to vacate their Home Office funded hotel accommodation
- Repeat homelessness where single people subsequently apply for family reunion visas
- 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

Gaza and Israeli conflict

In addition to the information provided above we are also monitoring any localized tensions relating to the conflict in Israel and Gaza and receive regular updates regionally and nationally regarding the complex situation.

Protests

The Public Protection team are working closely with Dorset Police around an increase in planned and unplanned protests both in relation to the Gaza and Israel conflict and around immigration. In the last quarter there have been an increase in protests requiring a multi-agency approach and an increase in protests at the Civic Centre site and around asylum accommodation. The protests have remained peaceful, with minimal arrests or dispersals. There has been a national rise in protests, with some areas of the country experiencing violence and rioting, however, this has not transpired locally. Going forward we are now seeing an increase in regular planned protests by key protest groups. Dorset Police hold the lead, however a separate command structure has been set up within BCP Council to support. Teams such as Facilities Management, CSAS (Community Safety Patrol Officers) and highways have been engaged to provide security to the Civic site, manage traffic flow on the network and engage with protest groups. Risks from protests include:

- Damage to the Civic Centre or cenotaph
- Disruption at council meetings affecting the civic process
- Disruption to communities
- Disruption to businesses
- Disruption to the transport network

Extensive planning between BCP Council and Dorset Police is undertaken for each protest to mitigate these risks.

Risk Causes (definite situational facts affecting our objective) (please list):

- Conflict in Israel and Gaza and increasingly in the surrounding territories.
- Home Office SAP (Streamlined Asylum Process) policy and related notices to vacate hotels
- Transport of ARAP/ACRS refugees from other 3rd countries to UK (in MoD accommodation and into private rented sector)
- National tensions around the asylum and immigration process and trend of increased protests
- Lack of clarity regarding Ukraine visa scheme and continued government support of sponsorship



Risk Impacts (contingent effect on objective) (please list):

- Heightened community tensions and inter-faith relationships
- Number of homeless applications increased
- Number of former asylum seekers found to be street homeless increased
- Disruption to the transport network, business operations and community

Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

Economic, Social, Environmental, Citizen, Resource, Physical, Political, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	3	3	9		

Mitigations in Place & Completed 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
- Intensive prevention/welfare case support to Ukrainian scheme guests and hosts to discuss options and planned exit from the scheme if funding does end
- Lobbying of the Ministry of Housing, Communities and Local Government and the Home Office re pressures and required resources to address family reunion homelessness.
- Participation in Local Authority Housing Fund programme (government grant funded) to mitigate the risk of homelessness for Ukrainian and Afghan refugees while adding to housing portfolio of BCP Council longer term
- Lobbying on the pressures being experienced by local authorities, to Ministers and the Home Office
- Regular updates from the Home Office on the situation in Gaza and Israel, both abroad and in the UK
- BCP command structure working with Dorset Police to manage protest intelligence and responses

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	3	2	6		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Continue to monitor community tensions relating to the conflict in Gaza and Israel and work with partners to address as needed	ongoing
Action 2:	Continue to work with Dorset Police regarding regular planned protests	ongoing
Action 3:	Continue to monitor community tensions relating to protests and work with partners to address as needed	ongoing
Action 4:		
Action 5:		
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place




Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	3	1	3		

Quarter Update

- Ongoing engagement with key protest groups
- Development of community impact assessments with Dorset Police to continue to monitor tensions



Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		Ongoing risk due to reactive and unpredictable nature of world events and local impact
Net Score		Ongoing mitigation and relationship management
Target Score		

Risk CR24 – We may fail to adequately address concerns around community safety and environmental impacts
Risk Owner – Jillian Kay, Corporate Director for Wellbeing
Cabinet Member (BCP Council – Democracy) – Councillor Kieron Wilson, Cabinet Member for Housing and Regulatory Services, Councillor Andy Hadley, Cabinet Member for Climate Response, Environment and Energy
<u>Links to Corporate Objective(s):</u> Working together everyone feels safe and secure
Risk Information Due to budget constraints, services in Public Protection and Environment are working at a statutory baseline. Emerging public concerns around areas such as Bournemouth Town Centre show public concern for residents and visitor safety as well as concerns around the cleanliness of the Town Centre. A number of initiatives are in place to mitigate the risks including: <ul style="list-style-type: none"> • Police operation Clear, Hold, Build that tackles organised crime which is significantly linked to serious violence • A new Serious Violence Strategy that works with partners to address the root cause of serious violence • Policing operations increasing visibility such as Operation Nightjar and Operation Track • Town Centre Action Partnership Group and tactical groups that have a multi-agency response to tackle issues in Bournemouth Town Centre • Evidence-led approaches to the deployment of resource in Public Protection • Six-weekly multi-agency walk arounds in Bournemouth Town Centre to identify issues relating to environmental concerns and safety concerns In the BCP area, violence against women and girls (VAWG) is one of the four key priorities for the Safer BCP Community Safety Partnership. Tackling issues relating to VAWG and all gender based violence is also a key priority for the Safer BCP Serious Violence Strategy , following the detailed analysis undertaken through our Serious Violence Needs Assessment . To this effect we have a BCP Adults Safeguarding Board , and Pan-Dorset Children's Safeguarding Board alongside other groups including a Domestic Abuse Strategic Group, Serious Violence Delivery Group (Sexual Offences), Sex Workers Risk Assessment Conference, MARAC (multi-agency risk assessment conference - high risk domestic abuse) and other task and finish groups as identified through the monthly data analysis.
Risk Causes (definite situational facts affecting our objective) (please list): <ul style="list-style-type: none"> • Reduction in resources, leading to a statutory minimum delivery due to savings • Public perception of issues in high priority areas • Changes to partner objectives, funding or behaviour • Policy changes and funding opportunities following the recent change in government
Risk Impacts (contingent effect on objective) (please list): <ul style="list-style-type: none"> • Reduction in public perception and public confidence • Public health issues if environmental issues are not dealt with • Failure to deliver on statutory duties
Risk Categories (for impacts) – please see pages 2-5 of this guidance – choose all that apply in either Service or Corporate Categories whichever fits best: Citizen, Social, Physical, Resource, Economic, Environmental, Political, Reputation

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	3	2	6		

Mitigations in Place & Completed Actions



- Introduction of six-weekly multi-agency street audits to identify defects and issues in Bournemouth Town Centre
- Supporting Dorset Police in Clear, Hold, Build initiative, hotspot policing and key operations to enhance visible presence across the conurbation
- Partnership Action Group for Bournemouth Town Centre
- Serious Violence Strategy and Serious Violence Delivery groups to identify and tackle serious violence issues in BCP, monitored through the statutory BCP Community Safety Partnership
- Safer Streets 5 funding
- Creation of tender for external pest control service
- Agreement of a Town Centre fund for each town centre location within 2024/25 budget
- Successful award of chewing gum removal pilot project for Bournemouth Town Centre
- Successful grant funding from Department for Transport (DfT) for an anti-social behaviour (ASB) Community Safety Accreditation Scheme pilot managing anti-social behaviour on the public transport network
- Successful grant funding under the Bus Service Improvement Programme to install 250 CCTV cameras at the most used bus stops, with 206 cameras installed and operational as of September 2024.

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	2	2	4		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		April 2025
List All Significant Actions Below:		
Action 1:	Deliver Serious Violence Strategy and delivery groups through the Community Safety Partnership	Jan 2024-Jan 2025
Action 2:	Continue Partnership Action Group and associated tactical delivery	April 2025
Action 3:	Deliver Department for Transport Grant funded ASB project	April 2025
Action 4:	Creation of an enforcement directory to manage stakeholder expectation on delivery for publication and member awareness	April 2025
Action 5:	Deliver chewing gum removal	April 2025
Action 6:		

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place




Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	2	2	4		

Quarter Update

- 15,000 hours of foot patrol now completed by the Town Team
- 1.2 million illegal vapes and cigarettes seized
- ASB pilot ongoing, 850 ASB incidents dealt with since January 2024 with over 8000 hours of patrol
- Chewing gum removal complete in multiple town centre locations
- multi-agency days of action completed

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		Ongoing challenges around perception and work within areas primarily business as usual with some resilience challenges
Net Score		Mitigation ongoing and now embedded as business as usual
Target Score		

Risk CR25 – We may be unable to effectively transform services to achieve efficiencies and improve service standards

Risk Owner – Corporate Management Board Collective

Cabinet Member ([BCP Council – Democracy](#)) – Councillor Jeff Hanna – Cabinet Member for Transformation, Resources and Governance

Links to Corporate Objective(s):

- Creating an environment for innovation, learning and leadership
- Using our resources sustainably to support our ambitions
- Using data, insights and feedback to shape services and solutions

Risk Information

As we move towards the closure of the BCP Transformation Programme in March 2025, it is essential we maintain our focus on achieving the efficiencies targeted as outputs of the programme and that we have a sustained focus on improving service standards.

Efficiencies and improved service standards are predicated on having the resource (financial and people) to identify and implement the changes necessary to achieve the council's operating model. An environment of increasing financial challenges or other demands on council resource could slow the rate of tangible benefits associated with transformation or require the council to reassess its initial ambitions based on what is achievable.

Risk Causes (definite situational facts affecting our objective) (please list):

- Reduction in financial and human resources available to deliver, support and drive a culture of change, innovation and focus on efficient approach to service delivery and practice
- Increase in demand on services to deliver business as usual and lack of workforce engagement with innovation
- Conflicting corporate and service led priorities
- Further requests for service transformation funding
- Lack of funds to build growth, capacity and capability in established Centres of Expertise i.e. Data and Analytics, Procurement, Projects and Programmes (PPM)
- Transformation Programme closing without a sustained plan of approach for continuous improvement and strategic intent, to build on the outputs of transformation, to drive efficiencies and realise ongoing associated benefits

Risk Impacts (contingent effect on objective) (please list):

- Slower pace of change
- Unable to achieve Target Operational Model and foundations to enable ongoing efficiencies across our organisation
- Negative view of the Transformation Programme and what it promised, both internally within our organisation and outwardly by our residents
- Poor return on the investment we have made on our technology stack and the opportunities we have to link this with strategic systems and innovation/efficiencies



Risk Categories (for impacts) – please [see pages 2-5 of this guidance](#) – choose all that apply in either Service or Corporate Categories whichever fits best:

The following risk categories apply:

Corporate Risk Categories: Technological, Customer/ Citizen, Economic, Political

Service Risk Categories: Resource, Technological

Gross Risk Score – this is the rating of a risk as if there were no mitigations in place:

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Gross Score	3	3	9		

Mitigations in Place & Completed Actions

As we continue our focus on closing-out the Transformation Programme we maintain the following mitigations:

- Transformation Programme updates are now presented within the BCP Corporate Strategy Delivery Board to ensure robust governance and reporting is maintained and that we continue to drive outputs and deliverables.
- Corporate Strategy Delivery Board established to ensure maintained focus on continuous improvement and strategic delivery to meet Corporate Strategy objectives.
- Resourcing/capacity (both within core programme team and service areas) is on programme risk register and reviewed at each Transformation Steering Group.
- Where resource issues are identified, then request can be made for budget to provide additional resource/backfill (approval is via Corporate Strategy Delivery Board only)
- Programme budget is actively managed with monitoring statements provided to Finance monthly and reported through the Corporate Strategy Delivery Board.
- Corporate Transformation Programme is looking to close-out by March 2025 so the majority of work has now been completed. However our exposure to this risk remains as we maintain our focus on continued improvement and optimisation of the foundations we have established through our proposed Data & Innovation Programme and build the capacity and capability to deliver this.

We must remain focused on achieving our digital vision and realising associated benefits:

Data and Innovation Programme:

- Continued focus on AI and innovation, development of our corporate approach to Co-Pilot and response to first phase rollout
- Identification of use cases: working with our Microsoft partner to identify funded opportunities to help us demonstrate tangible opportunities for efficiencies using technology to drive and support workforce engagement and build our business case for growth
- Ongoing focus on evolving and establishing the service offering of the Data and Analytics Centre of Expertise
- Focus on data quality, integrity and accuracy across the organisation
- Data migration and ownerships
- Information governance, data protection and compliance
- Strategic focus on how we drive govern and agree innovation as an operational model within IT and Programmes and across the organisation.
- Drive organisational change through data led decision making

Customer & Digital Strategy:

- Building a programme to deliver our customer and digital strategy based on what we have established through the Transformation programme and the opportunities associated with this.

Systems Ownership, Consolidation & Integration:



- Sustained focus on successful implementation and support of systems
- Deliver systems ownership model
- Maintain strategic supplier relationships
- Consolidate and rationalise

Risk Response Strategies

Please indicate all strategies which are being utilized in the management of this risk:

	Chosen strategy/ies:
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 risks, 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.	

Net risk Score – this is the rating of a risk with current mitigations in place



Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Net Score	2	2	4		

All Significant Actions to Achieve Proposed Target Risk Score:

Please confirm the overall target score **expected completion date** and list all the significant actions required to achieve this score and **when they are each individually due to be completed**.

		Due Date/s:
Overall Target Score Expected Completion Date:		
List All Significant Actions Below:		
Action 1:	Effective management of the current Transformation Board and its close-down and support the effective transition of the strategic focus of the Corporate Strategy Delivery Board on continuous improvement and ongoing strategic outputs from foundations laid by the Transformation Programme	January 2025
Action 2:	Continue Children's Transformation Programme	April 2025
Action 3:	Continue Adults' Transformation Programme	April 2025
Action 4:	Develop and establish a new Data and Innovation Programme	April 2025
Action 5:	Continue Strategic Corporate Management Board and Cabinet Members Working Group (ensuring robust knowledge exchange)	April 2025
Action 6:	Commit resource and support to upcoming Children's inspections	Late 2024 (TBC)
Action 7:	Develop and establish a programme to deliver our Customer & Digital Strategy	April 2025

Target Risk Score – this is projecting forward to what the scoring of a risk will be when further actions or mitigations have been completed and are in place

Assessment Level	Impact (I)	Likelihood (L)	Risk Score (IxL)	Risk Matrix	Movement during Quarter
Target Score	2	2	4		

Quarter Update

Transformation completion is progressing through Cabinet and associated governance forums within agreed timeframes.

The Adults & Children's programmes are progressing and reported into Cabinet and the Corporate Strategy Board.




As we move towards completing Transformation are focus is on communicating the outputs of this linking to the scope and development of both the Customer & Digital and Data & Innovation programmes.

Additionally, we have committed resource to Children's inspections.

Direction of Travel

Please provide a commentary on the direction of travel of the risk. It is appreciated risks may not change enough in a quarter to warrant a change to the scoring but please provide a direction of travel for the risk and provide an explanation against each assessment level.

This is a new risk. As such we will be able to present the direction of travel in more detail as the mitigations against risk/s are addressed and progressed.

Assessment Level	Direction of Travel during Quarter (please indicate: the same, increased, decreased)	Explanation
Gross Score		This remains the same whilst we focus our activity on completion and scoping our continuous improvement approaches, strategies and programmes.
Net Score		This remains the same whilst we focus our activity on completion and scoping our continuous improvement approaches, strategies and programmes.
Target Score		This remains the same whilst we focus our activity on completion and scoping our continuous improvement approaches, strategies and programmes.

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Governance Statement 2023/24 - Action Plan Update
Meeting date	27 January 2025
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 2023/24 AGS.</p> <p>Progress against the agreed action plan is as follows:</p> <p>Best Value Notice – the Government has lifted the Best Value notice.</p> <p>Dedicated School Grant (DSG) - The DSG deficit continues to increase, with the accumulated DSG deficit assumed to be £63.5m on 31 March 2024, £108m on the 31 March 2025, and £165.5m on the 31 March 2026. As part of a precursor to a s114 report the Director of Finance wrote to MHCLG in May 2024 to seek advice on how a legally balanced budget for 2025/26 can be set when it will be unable to settle the bills for DSG high needs expenditure. The conversation is ongoing with the possibility of a capitalisation direction being explored.</p> <p>Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024 – SEND Improvement Plan continues to be delivered and progress monitored by the SEND Improvement Board and reported to Children's Services Overview & Scrutiny Committee. Significant progress is being evidenced.</p> <p>Delay in the completion of the previous years' External Audit - The 2023/24 Statement of Accounts (SoA) is being audited now and will be brought to this Committee for approval together with the Audit Findings Report to the next meeting of this Committee on the 27 February 2025.</p> <p>Mandatory Training – the actions identified have been rolled out and completion rates had increased to 84% as of January 2025.</p>

Recommendations	It is RECOMMENDED that Audit & Governance Committee note the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2023/24.
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):	Cllr Mike Cox, Finance
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 2023/24 draft Annual Governance Statement (AGS) for BCP Council was agreed following the public inspection period by Audit and Governance Committee in July 2024.
2. No subsequently identified additional governance issues have been identified and the draft version of the AGS was included as final in the statement of accounts which is being audited now and will be approved by this Committee together with the Audit Findings Report at the next committee meeting on 27 February 2025.
3. The AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. However, the following significant governance issues were identified:
 1. Best Value Notice
 - 2a. Dedicated School Grant (DSG)
 - 2b. Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024
 3. Delay in the completion of previous years’ External Audit
 4. Mandatory Training
4. An Action Plan to address the issues identified was approved and it was agreed that a progress report be presented to this 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.

5. Work will shortly commence to prepare the 2024/25 AGS, including the completion of assurance statements by 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.

2023/24 Action Plan Progress

6. Table 1 shows progress against the actions identified in the action plan.

Table 1 - showing Update against Annual Governance Statement 2023/24 Action Plan:

1	<p>Best Value Notice – BCP Council received a 'Best Value Notice' in 2023 following the DLUHC Assurance Review. Actions from the BCP Council Assurance Review, the DLUHC external assurance review & Best Value Notice are being monitored – as at March 2024, 93% of the actions are completed and 7% are progressing well. The notice has now been removed following the successful resolution of the majority of resultant actions. However, four 'ongoing' activities remain:</p> <ul style="list-style-type: none"> • Governance review of subsidiary companies • Funding of DSG deficit • Managing future risks of growing DSG overspend • Re-instatement of standalone Budget & Policy Procedure Rules in Constitution 			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	CMB to oversee implementation of recommendations raised in the BCP Council Assurance Review.	Chief Executive (CMB)	September 2024	<p>All 42 actions listed in the Best Value Notice Action Plan, which came from both assurance reviews, have been completed and the Government has now lifted the notice.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>

2a	<p>Dedicated School Grant (DSG) - The overall level of council reserves is of concern because of growing deficit on the Dedicated Schools Grant (DSG) budget is taken into consideration. At 31 March 2023 the Council is predicted to have a DSG deficit of £37m which is particularly impacted by the expenditure on the High Needs block and support for Education, Health, and Care Plans (EHCPs) for young people.</p> <p>The budget for 2023/24 assumes this deficit will grow to £64m by 31 March 2024 at which point the Council will have overall negative reserves. The presence of a statutory instrument allows the Council to ignore this deficit until the 2026/27 financial year at which point the deficit is currently forecast to have increased to around £160m without corrective action. Whilst the long-term impacts are potentially significant, the short-term effects are also impacting on the Council's budgets because of the cost to the Council of managing the cashflow of the payments, at an estimated annual revenue cost of around £2.5m for 2023/24 and growing in future years. This is causing an effective cut of service provision to that degree. Although part of the DfE Delivering Better Value in SEND programme the Council is no clearer as to how this deficit will be funded. The Council should consider how best to manage the future risks and current costs associated with this significant issue.</p> <p><i>(Extract from BCP Council Assurance Review)</i></p>			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	<p>1) Continue to explore options between the DfE and BCP.</p> <p><i>Please note this action point previously highlighted the Safety Value programme as the way to address this issue, however, the action is now being addressed through wider discussions between HM Treasury, Ministry of Housing, Communities and Local Government (MHCLG), Department for</i></p>	<p>Corporate Director of Children's Services</p> <p>Chief Executive & Director of</p>	Dec 2024	<p>The in-year DSG deficit for 2024/25 is forecast to be £44.5m which has increased from the originally assumed position in line with the issues set out in an October 2024 report to Full Council. The forecast deficit for 2025/26 is £57.5m which is 92% more than the DSG government grant allocation. The accumulated DSG deficit is therefore assumed to be £63.5m on 31 March 2024, £108m on the 31 March 2025, and £165.5m on the 31 March 2026.</p> <p>Despite not having the government grant to fund these SEND bills they still need to be</p>

	<i>Education (DfE) and BCP Council.</i>	Finance		<p>paid, and all councils are prohibited from borrowing to fund the day-to-day operational/revenue expenditure. Up until 2025/26 the council has been using what is referred to as its "treasury management headroom" to enable the relevant invoices to be settled. Generally, this headroom is the timing difference between receipts for council tax or business rates arriving and the date when the actual bills they fund are paid, alongside any cash-backed balance sheet items such as reserves and provisions. Forecasting indicates this headroom will be exhausted in the first quarter of the 2025/26 financial year.</p> <p>As part of a precursor to a s114 report the Director of Finance wrote to MHCLG in May 2024 to seek advice on how a legally balanced budget for 2025/26 can be set when it will be unable to settle the bills for DSG high needs expenditure. The conversation is ongoing with the possibility of a capitalisation direction being explored. This would ultimately enable the council to borrow to fund the £57.5m excess high needs expenditure next year.</p> <p>Therefore, it is likely that this will remain a significant governance issue in the 2024/25 AGS.</p>
	2) Progress in achieving the DSG deficit recovery plan is being monitored through the SEND Improvement Board.	Corporate Director of Children's Services Chief Executive & Director of Finance	Ongoing	The recovery plan is in the process of being updated against revised budget pressure.

2b	Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024 - BCP Council received statutory direction in relation to SEND from the Department for Education (DfE) in February 2024 following a monitoring visit in July 2023. The document calls on all partners including BCP Council, NHS Dorset, schools and colleges, multi-academy trusts, early years settings, and parent and carer groups to work together at pace to improve services. A diagnostic has taken place since this monitoring visit in July 2023 and a new SEND Improvement Plan has been created to ensure progress is made at pace. All partners across the SEND system are working together to deliver meaningful support to ensure children get the right support, in the right place at the right time, creating better outcomes for Children and young people. Progress has been made in the SEND provision including improved timeliness of the decision-making process and requests for Education Psychology advice.			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	The SEND Improvement Plan continues to be delivered in accordance with agreed timescales,	Children's Services	Mar 2025	SEND Improvement Plan continues to be delivered in accordance with agreed timescales, reviewed and monitored by the SEND Improvement Board and progress

	reviewed and monitored by the SEND Improvement Board and progress reported to Children's Overview & Scrutiny Committee.			<p>update taken to Children's Services Overview & Scrutiny Committee in November 2024. Significant progress is being evidenced.</p> <p>Prior to the 2024/25 AGS, full consideration will be given as to whether this remains a significant governance issue or whether sufficient progress has been made for it to be removed.</p>
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3	<p>Delay in the completion of previous years' External Audit – The Council considers that the delay to the completion of the external audit of the 2021/22 and 2022/23 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is entirely caused by wider sector problems with both auditor capacity and the increasing complexity of recent audit requirements.</p> <p>The 2021/22 external audit of the statement of accounts has now been finalised. The audit of the 2023/24 financial statements is now underway. There remains doubt over what national solution will be in place. CIPFA have announced that the previously agreed so called 'backstop' arrangement has now been delayed although focus remains on identifying a long-term sustainable national solution. This means in practice the 2022/23 accounts may not be audited in the usual way.</p>			
	<p>Whilst there was no action plan for BCP Council for this issue, the national 'Local Audit Reform Strategy' for overhauling the local audit system in England and 'backstop' arrangements are now clearly laid out for councils and external auditors to follow. The 2023/24 Statement of Accounts is being audited now and will be brought to this Committee for approval, together with the Audit Findings Report, by the backstop date of 28 February 2025. The Audit Findings Report will therefore come to the next meeting of this Committee on the 27 February.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>			

4	Mandatory Training - Less than 50% of officers have completed their mandatory training.			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	Managers will continue to monitor progress of completion rates of mandatory training via the dashboards on Skillgate.	Head of HR Corporate Directors, Directors & SLN	December 2024	<p>Skillgate dashboards are available to show directors and managers mandatory training compliance rates for their staff. Regular reports are shared with Directors Strategy Group.</p> <p>Under the new performance framework, completion of all mandatory training is required to achieve satisfactory performance in end of year performance reviews, which must be completed by 28/02/25.</p>
	Regular reports on workforce compliance will be shared with senior leadership team to ensure that BCP Council is compliant.	Head of HR Corporate Directors, Directors & SLN	Monthly	<p>Compliance rates are continuing to rise and were 84% as at January 2025.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>

	Under the new Performance framework, colleagues who have not completed all mandatory training will only be able to receive an 'improving' performance indicator as part of their end of year performance reviews and incremental progression will not be possible until full completion is undertaken.	Head of HR Corporate Directors, Directors & SLN	Annually	
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Options Appraisal

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

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

21. 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 2023/24 (Audit & Governance Committee July 2024)

Appendices

There are no appendices to this report.

AUDIT AND GOVERNANCE COMMITTEE

Report subject	Assurance Framework & Internal Audit Planning Consultation 2025/26
Meeting date	27 January 2025
Status	Public Report
Executive summary	<p>To comply with the Global Internal Audit Standards and the public sector Application Note and to ensure early consultation with the Audit & Governance Committee, this report outlines the BCP Assurance Framework and the 2025/26 Internal Audit Plan proposed approach.</p> <p>The Assurance Framework (Appendix A) has been updated with some minor changes to reflect current organisational structure and governance arrangements.</p> <p>The proposed 2025/26 Internal Audit Plan approach shows the amount of resource required to provide core audit & assurance work (includes high level risks, key assurance functions and key financial systems audits). Other work (includes investigations) is also planned to be carried out alongside corporate assurance (includes corporate fraud) and governance work (includes annual governance statement).</p> <p>The primary change for the 2025/26 Audit Plan is a slight reduction in resources due to decreasing audit apprentice positions from three to two during the year, offset by adding two career auditor roles. However, available time for Core Audit & Assurance work has increased due to the transfer of the council tax single person discount project and reduced apprentice training.</p> <p>The proposed work in the draft 2025/26 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual conclusion on the Councils' governance, risk management and control arrangements.</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 2025/26 Internal Audit Plan – high level allocation of resource and delivery approach</p>
Reason for recommendations	<p>To comply with Global Internal Audit Standards and Application Note for the public sector.</p> <p>To set out the Council's Assurance Framework.</p> <p>To ensure Audit & Governance Committee are informed of the proposed 2025/26 Internal Audit Plan approach.</p>

Portfolio Holder(s):	Cllr Mike Cox, Deputy Leader of the Council, Vice-Chair of Cabinet and Cabinet Member for Finance
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 authority for setting standards for internal audit in the United Kingdom public sector rests with the Relevant Internal Audit Standard Setters (RIASS) which for local government is the Chartered Institute of Public Finance and Accountancy.
2. The RIASS have determined that the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA) are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in the 'Application Note'.
3. The Application Note provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which the RIASS consider essential for the practice of internal audit in the UK public sector.
4. Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in the Application Note which both come into effect from the 1st April 2025.
5. The GIAS are not a radical divergence from the current standards (Public Sector Internal Audit Standards). The Internal Audit service at BCP Council is planned to meet requirements of the GIAS and the Application Note through ongoing work against an action plan (as mentioned separately in the 2024/25 audit plan update report to this same committee meeting).

Assurance Framework

6. BCP Council's Assurance Framework (Appendix A) has been updated with some minor changes to reflect current organisational structure and governance arrangements.
7. 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.
8. 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.

9. 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.
10. The GIAS, and more specifically the Application Note, state that in the UK public sector, the Head of Internal Audit must prepare an overall conclusion on the organisation's governance, risk management and control arrangements, at least annually, in support of wider governance reporting. The Assurance Framework identifies the sources of assurance that will be used to form the basis of the annual conclusion.
11. The GIAS also state that the Head of Internal Audit must co-ordinate with internal and external providers of assurance services and consider relying on their work. The Assurance Framework sets out the way Internal Audit consider other assurance providers and this forms part of the planning process for undertaking audit reviews across the Council. Coordination of services minimizes duplication of efforts and highlights gaps in coverage of key risks.
12. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Proposed Audit Plan 2025/26 – High level allocation of resource

Best Practice Compliance

13. The Internal Audit planning process is informed by the Council's Assurance Framework and compliance with GIAS as detailed above. The audit plan also considers the purpose, authority and responsibilities of the Internal Audit team as described in the Audit Charter.
14. The GIAS standards state that the Head of Internal Audit must create an internal audit plan that supports the achievement of the organisation's objectives, base the plan on a documented assessment of the organisation's strategies, objectives and risks and also be informed by the board and senior management. The arrangements below seek to achieve these requirements.
15. Internal Audit identify, document and risk assess the audit universe (i.e. the auditable areas of the Council), which includes consideration of the following areas:
 - Risks to achieving the Council's Priorities and Objectives as stated in the Corporate Strategy
 - Risks to delivering key Council projects, including those overseen by the Corporate Strategy Delivery Board
 - Risks identified in the Corporate Risk Register and in Service / Directorate Risk Registers, including consideration of the risk framework/maturity of the organisation
 - Risks to achieving Service / Directorate Priorities and Objectives as stated in business plans and other service documentation
 - Council overall governance arrangements including the annual governance statement, local code of governance and decision records/reports
 - Other sources of data, including financial/performance/procurement/ partnerships information, assets held, business continuity arrangements, corporate ethics activities, IT governance and systems, last audit/investigation findings, other internal/external reports and legislation.
16. The relative priority of planned audit work, based on the audit risk assessment, helps to determine which High Level Risk audits will be undertaken during the year.
17. Assurance work is planned to be carried out across a range of High Level Risk areas at corporate, directorate and service areas, as well as Key Assurance Functions (compliance with corporate policies), Key Financial Systems, Counter Fraud and Other areas (see core audit and assurance work in table below).

18. The proposed work in the draft 2025/26 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual conclusion on the Council's governance, risk management and control arrangements.
19. The table below outlines the Audit Plan days for 2025/26, with comparison to the 2024/25 Audit Plan. The primary change for 2025/26 is a slight reduction in overall resources, attributed to the planned decrease in audit apprentice positions from three to two during the year, which will be offset by the addition of two new career auditor roles. Despite this, the total available time for Core Audit & Assurance work has increased, owing to the transfer of the council tax single person discount project and a reduction in apprentice training requirements.

AUDIT ACTIVITY	DETAIL	A	B	C	Reason for Difference
		2024/25 Original Plan Days	2025/26 Plan Days	Difference vs Revised Plan (Days) (B-A)	
CORE AUDIT & ASSURANCE WORK					
HIGH LEVEL RISKS	As per audit risk assessment using Corporate Strategy, Corporate & Directorate Risk Registers and other sources	740	860	120	Additional resource from Council Tax SPD project transfer and reduction in apprentice training
KEY FINANCIAL SYSTEMS	Financial systems with significant value / materiality	160	160	0	
KEY ASSURANCE FUNCTIONS	As identified on Assurance Framework (Appendix A)	195	195	0	
COUNTER FRAUD RISKS	As per Internal Audit's Counter Fraud Risk Register	160	180	20	
SCHOOLS	As per Internal Audit's Schools Risk Assessment	50	50	0	
OTHER	Including audit planning, advice and follow ups	270	270	0	
TOTAL		1,575	1,715	140	
OTHER AUDIT WORK					
INVESTIGATIONS	Fraud/management investigations	100	100	0	No change
CONTINGENCY WORK	Other audit reviews as requested and carry forwards	20	20	0	
GRANT CERTIFICATION WORK	Head of Internal Audit certification as required per grant conditions	45	45	0	
FINANCIAL REGULATIONS COMPLIANCE	Responding to requests for support and advice and instances of breaches	20	20	0	
TRANSFORMATION & EFFICIENCY	Supporting transformation, and income generation (including commercial) & business opportunities in support of the MTFP	35	35	0	
TOTAL		220	220	0	
CORPORATE ASSURANCE WORK					
CORPORATE FRAUD	Includes service support on right to buy applications verification, fraud referrals & the council tax single person discount project	260	125	-135	Transfer of council tax single person discounts review project to revenues service
FREE EARLY EDUCATION FUNDING AUDITS	Assurance on funds allocated to providers	50	50	0	
OTHER CORPORATE ASSURANCE WORK	Includes Charter Trustees audits and ill health pension review role	30	30	0	
TOTAL		340	205	-135	

GOVERNANCE WORK					
CORPORATE MANAGEMENT & LIAISON	Work with External Audit and Senior Management	70	70	0	No change
MEMBER LIAISON	Audit & Governance Committee work	65	65	0	
AGS (Annual Governance Statement)	Preparation & monitoring of the Council's Annual Governance Statement and local code of governance	75	75	0	
TOTAL		210	210	0	
IA SERVICE MANAGEMENT WORK					
MANAGEMENT & MEETINGS	Staff management and meetings, including 1-2-1s and recruitment	285	280	-5	Staff FTE reduction during year
AUDIT DEVELOPMENT	Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes	80	80	0	
PERFORMANCE MANAGEMENT	Monitoring/reporting on team performance and quality assurance processes	45	45	0	
TOTAL		410	405	-5	
NON-PRODUCTIVE TIME					
LEAVE	Including bank holidays	535	520	-15	Less bank holidays & staff FTE reduction during year. Apprentice training completed during year
SICK/DOWNTIME	Including service interruption from equipment/technology failure	55	55	0	
TRAINING & CPD	Including staff appraisals and qualification training	320	200	-120	
TOTAL		910	775	-135	
TOTAL DAYS		3,665	3,530	-135	Staff FTE reduction during year

Audit Plan Delivery

20. The Core Audit & Assurance Work 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.
21. During 2025/26, as the Council operates in a challenging financial and economic backdrop, it will continue to create further efficiencies, maximise opportunities and drive through new ways of working, a flexible audit approach will be provided. The 2025/26 Audit Plan will be dynamic and updated in a timely manner in response to any changes in the Council's risks, controls, systems, projects and organisational change/culture.
22. Internal Audit will support this organisation change by identifying emerging risks, advising on process and control changes, and supporting management with maintaining robust governance arrangements. Throughout the year, real-time assurance will be provided, aided by the development of data analytics and continuous assurance work in line with our strategy.

Audit Plan Consultation/Agreement

23. Following this consultation with Audit & Governance Committee, the Corporate Directors and Service Directors will be consulted to inform the plan and capture any emerging risks/pertinent issues.
24. Following the full consultation process the final 2025/26 Audit Plan will be brought back to this Committee for formal approval in March 2025 which will include a detailed breakdown of audit days required in each Directorate and a list of provisional audits for quarter one of 2025/26.
25. Any impact on the delivery of the Audit Plan through resource limitations, conflicting demands of stakeholders, changes in planned high risk audit areas, or limitation of audit scope will be communicated to the Committee via quarterly plan progress reports. Any significant changes to the Audit Plan will be discussed and agreed with senior management and the Audit & Governance Committee.
26. Audit & Governance Committee are asked to consider and comment on the proposed 2025/26 Audit Plan approach.

Options Appraisal

27. See audit plan approach option above.

Summary of financial implications

28. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process. The 2025/26 Audit Plan outlined above assumes the 2025/26 Internal Audit budget will be approved broadly on the same basis as 2024/25 (£776,000) and allowing for inflationary growth only. This level of resource is considered sufficient to enable the Head of Internal Audit to provide an annual conclusion on the Councils' governance, risk management and control arrangements.

Summary of legal implications

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

Summary of human resources implications

30. There will be 13.8 budgeted full-time equivalent (FTE) Internal Audit staff planned for the 2025/26 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.
31. It is the opinion of the Head of Internal Audit 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

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

35. This report ensures compliance with the Global Internal Audit Standards and Application Note for the public sector.

Background papers

None

Appendices

Appendix 1 – BCP Assurance Framework

BCP COUNCIL ASSURANCE FRAMEWORK – APRIL 2025



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 Assurance Providers
		Corporate advice & compliance	Corporate Oversight		
Asset Management	Directors and managers	Finance; Housing & Communities; Customer & Property Operations	Corporate Property Group (CPG); Asset Investment Panel; Corporate Management Board (CMB)	Chief Internal Auditor annual conclusion on the Council's governance, risk management and control arrangements	External Audit (Grant Thornton - GT) *
Business Continuity		Finance	Resilience Governance Board; Resilience Forum; Corporate Management Board (CMB)		Outsourced Business Continuity, ICT inspections
Business Planning and Performance Management		Marketing, Comms & Policy	Various – including Children's Services Improvement Board; Planning Improvement Board; Planning Improvement Board; CMB		Local Government and Social Care Ombudsman (complaints) Peer Review
Counter Fraud		Finance	Statutory Officer Group (SOG)		National Fraud Initiative (NFI) annually
Financial Management		Finance	Corporate Management Board (CMB)		External Audit (GT) *
Fire Safety		Customer & Property Operations	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		People & Culture	Directors Strategy Group (DSG); CMB		Unions
ICT		IT & Programmes	IT & IS Infrastructure Board; Information Governance Board (IGB); CMB		Public Services Network (PSN)
Information Governance		Law & Governance	Information Governance Board (IGB)		Information Commissioner
Partnerships		Marketing, Comms & Policy	Various – including service/partnership specific boards e.g. BCP/BH Live Strategic Partnership Board; CMB		
Procurement		Finance	Procurement & Contracts Board		Procurement Review Unit (PRU) part of the Cabinet Office (enhanced role following the Procurement Act 2023)

Appendix 1

Project & Programme Management		IT & Programmes	Corporate Strategy Delivery Board; CMB; Infrastructure Programme Board; Project specific boards		
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	Overall arrangements currently in development; CMB		Environment Agency (EA) and Office for Environmental Protection (OEP)

*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 - 3rd Quarter, 2024/25, Audit Plan Update
Meeting date	27 January 2025
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2024/25 Audit Plan for the 3rd quarter (October to December 2024 inclusive). The report highlights that:</p> <ul style="list-style-type: none"> • 14 audit assignments have been finalised, including 11 'Reasonable' and 3 'Partial' audit opinions; • 25 audit assignments are in progress, including 3 at draft report stage; • Progress against the audit plan is on track and will be materially delivered to support the Chief Internal Auditor's annual audit opinion; • Total additional council tax yield of £654,042 has resulted, to date, from the Single Person Discount pilot project; • 8 'High' priority audit recommendations have not been fully implemented by the original target date. Explanations from respective services have been provided and revised target dates have been agreed.
Recommendations	<p>It is RECOMMENDED that:</p> <p>a) Note progress made and issues arising on the delivery of the 2024/25 Internal Audit Plan.</p> <p>b) Note the explanations provided (Appendix 1) and determine, in the case of the High Priority Recommendations highlighted, if further explanation and assurance from the Service / Corporate Director is required.</p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2024/25 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 Mike Cox, Finance

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. This report details Internal Audit's progress against the 2024/25 Audit Plan for the period October to December 2024 inclusive ("Quarter 3") and reports the audit opinion of the assignments completed during this period.
2. The report also provides an update on significant issues arising and implementation of internal audit recommendations by management (as at January 2025).

Delivery of 2024/25 Internal Audit Plan – Quarter 3

3. 14 audit assignments (including 2 joint reports) have been **finalised in this quarter** as outlined below:

	Service Area	Audit & Scope	Audit Opinion	Recommendations		
				High	Med	Low
1	Customer & Property	Facilities Management (Corporate Assets) 2023/24/25 <ul style="list-style-type: none"> ➤ Review of arrangements for high priority compliance areas (asbestos, gas safety, electrical safety, water hygiene, lifts) relating to corporate (non-HRA) buildings including: <ul style="list-style-type: none"> • Roles, responsibilities, qualifications and training • Policies and procedures • Planning and resource allocation • Record keeping • Oversight, reporting and scrutiny 	Partial	3	10	0
2	Children's Services	Workforce Development – Training <ul style="list-style-type: none"> ➤ Induction - the arrangement for ensuring corporate and service induction processes are completed by all new staff, both directly employed and those engaged via agencies. ➤ Mandatory Training - the arrangements for ensuring all staff complete the expected mandatory training, including the monitoring and oversight of completion, and the methods of performance management to address areas of concern. ➤ Professional Qualifications and Continuous Professional Development (CPD) - the arrangements for ensuring that all necessary professional qualifications for staff and their upkeep via CPD are subject to effective recording and monitoring. 	Reasonable	0	5	1
3	Finance	Cash Income (All Services) – to ensure that: <ul style="list-style-type: none"> ➤ income is adequately recorded at the point of collection. ➤ expected income records are reconciled to income banked. ➤ that income is securely stored and banked promptly for Libraries, Russell Cotes, Upton Country Park Tea Rooms, and Council Tax kiosks 	Reasonable	0	5	3
4	Schools	Christchurch Learning Centre <ul style="list-style-type: none"> ➤ Review arrangements to ensure effective internal controls are in place over: Governance, Budgeting, Purchasing, Income & Banking, Payroll, Asset Management, and Insurance. 	Partial – Deficit Position Reasonable – Overall Control Framework	0	4	4
5	Environment	Environment - KAF Information Governance (CCTV, Body Cams & ANPR) <ul style="list-style-type: none"> ➤ Policies and procedures including legal and regulatory compliance 	Reasonable	0	4	2

	Service Area	Audit & Scope	Audit Opinion	Recommendations		
				High	Med	Low
		<ul style="list-style-type: none"> Review of arrangements for compliance with corporate policies and procedures and relevant specialist legislation and regulations including GDPR Review of staff training arrangements covering data use, handling, storage and breaches <p>➤ Unauthorised access to data - Review of system access controls, data sharing arrangements with partners, and audit trails including management reviews and follow-ups</p> <p>➤ Data quality - Review of arrangements to identify and resolve data issues including system logs, error reports and complaints</p>				
6	IT & Programmes	<p>Artificial Intelligence (AI)</p> <p>➤ Governance of AI - Review of Governance arrangements associated with the use of AI including oversight and policy</p> <p>➤ Data Security - Review of Data Security including;</p> <ul style="list-style-type: none"> Information Governance Interrogation of Systems Data Integrity Security of Sensitive data <p>➤ AI Project - Review of the rollout of AI across the organisation including project management, risks, costs, benefits.</p>	Partial	3	2	0
7	Schools	<p>Winchelsea School</p> <p>➤ Review arrangements to ensure effective internal controls are in place over: Governance, Budgeting, Purchasing, Income & Banking, Payroll, Asset Management, and Insurance.</p>	Reasonable	0	3	2
8	Finance	<p>Main Accounting & Financial Management (KFS) – Joint Report</p> <p>➤ Follow Up - Ensure that all recommendations from previous years are either implemented or on course to be implemented by their target dates.</p> <p>➤ Direct Debits - Review the process for setting Direct Debits and standing orders up on Council bank accounts.</p> <p>➤ Credit card refunds - Review the process for dealing with refund requests from WorldPay or other credit card companies</p>	Reasonable	0	2	1

	Service Area	Audit & Scope	Audit Opinion	Recommendations		
				High	Med	Low
9	Finance	Council Tax and Non Domestic Rates (KFS) – Joint Report <ul style="list-style-type: none"> ➤ New Properties & Businesses and Valuations - Review of processes used to identify new and amended properties & Businesses ➤ Refunds: <ul style="list-style-type: none"> • Review of methods and controls used to process refunds • Management oversight of refunds ➤ Debt and Write-Offs: <ul style="list-style-type: none"> • Review of debt collection process and recovery actions • Review of aged debt • Review of recently completed write-offs ➤ Performance Metrics: <ul style="list-style-type: none"> • Review of currently used performance metrics • Understanding of any changes to captured performance metrics with new system roll out 	Reasonable	1	1	0
10	IT & Programmes	Application Rationalisation <ul style="list-style-type: none"> ➤ Governance Framework - Evaluate the governance structure overseeing application rationalisation, to ensure the process is aligned with business and corporate objectives maintains transparency and involves all stakeholders ➤ Application Inventory <ul style="list-style-type: none"> • There is a comprehensive application inventory in place to manage applications, uses, licensing and crossover across the organisation • Controls around the addition and deletion of applications from the inventory ➤ Contractual Review and Cost Analysis - All systems have been reviewed and contracts considered to identify if there is any crossover in use 	Reasonable	0	1	0
11	IT & Programmes	ICT KAF (Core) <ul style="list-style-type: none"> ➤ Security of IT Assets - review the following areas; <ul style="list-style-type: none"> • How assets are received from suppliers • Asset storage prior to issues to staff/ technicians • Stock control of assets • Assigning of assets 	Reasonable	0	1	0
12	Finance	Housing Benefit & Council Tax Reduction Scheme (KFS) <ul style="list-style-type: none"> ➤ New Claims - Review of the arrangements and controls in place for new HB & CTRS claims to confirm that for both passported and non-passported claims: <ul style="list-style-type: none"> • Verification checks of new claims are being undertaken to ensure validity. 	Reasonable	0	0	0

	Service Area	Audit & Scope	Audit Opinion	Recommendations		
				High	Med	Low
		<ul style="list-style-type: none"> Regular reviews of new claims are undertaken to detect anomalies. ➤ Changes of Circumstance - Review of the arrangements and controls in place for identifying and responding to changes in circumstances for both HB & CTRS claimants, including: <ul style="list-style-type: none"> How changes of circumstances are notified to the council. The timeframes for responding to notification. The verification processes undertaken in support of the change requested. ➤ Performance Management -Review of the performance management and oversight arrangements in place to confirm: <ul style="list-style-type: none"> The regularity, completeness and reporting structure for current performance measures. Planning and review processes in place for the development of future performance measures. 				
13	People & Culture	Payroll (KFS) <ul style="list-style-type: none"> ➤ High level review of key controls, process changes, legislation impacts & recommendation follow up 	Reasonable	0	0	0
14	Finance	Social Services Financial Assessments (KFS) <ul style="list-style-type: none"> ➤ Social Services Financial Assessments - Review of Financial Assessments process to identify and consider any changes / updates ➤ Deferred Payments - Review of financial data within Deferred Payment process, comparisons and analytical work. ➤ Follow Up - three recommendations made in 2023/24 Audit. 	Reasonable	0	0	0
Total Recommendations				7	38	13

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.
- **KFS** – Key Financial System
- **KAF** – Key Assurance Function

4. There were no formal recommendations made for the last three audits on the table. The 'Reasonable' audit opinion is determined by the reduced scope of these reviews. These are all annual, key financial system reviews, of established systems where controls and risks have previously been audited. Both the Payroll and Social Services Financial Assessments audits were high level reviews of key controls only, to provide assurance that established controls remain in place and that no significant changes, such as to systems and legislation. The

scope of the Housing Benefit & Council Tax Reduction Scheme audit was also a high level review of key controls only as the system is changing during 2025, so a more detailed audit will be carried out during 2025/26 on the implementation of the new system.

Partial Assurance Audit Opinions

5. There were 3 'Partial' assurance audit reports issued during the quarter as follows:

IT & Programmes – Artificial Intelligence (AI) – three high and two medium priority recommendations were made to address the following issues:

High Priority	
Ownership	Identified that there is currently no defined SRO in place and collective responsibility has not been established.
Oversight	There is a lack of adequate oversight and governance arrangements around the use of AI tools.
Use of Third-Party AI Tools	There is no control of use of non-approved AI tools.
Medium Priority	
Information Governance	Information Governance team has not been involved in the rollout of AI tools.
Rollout of AI	There is no formal project in place for the rollout of AI.

Schools – Christchurch Learning Centre – Two audit opinions were issued for this audit.

The overall control framework at the school was given a reasonable assurance opinion.

However, due to the size of the deficit (end of year deficit of £452k projected at the time of the audit) and the risk this poses to the school, a partial audit opinion was given for this aspect of the school's audit, as the deficit position is unsustainable and may impact the effective operation of the school if it is not addressed. No formal recommendations were made to the school as the school is working with BCP Council Schools' Finance Team and Children's Services to ensure that appropriate actions are taken to address this issue. In addition, a Schools Finance audit is planned for Quarter 4 to review how BCP Council is managing the risks of increasing deficits in schools.

Customer & Property – Facilities Management Health & Safety Compliance (Corporate Assets) 2023/24/25 – three high and 10 medium priority recommendations were made to address the following issues:

High Priority	
Oversight, Reporting & Scrutiny	Compliance inspections are not routinely reported to or reviewed by senior management with unclear escalation arrangements for outstanding or delayed compliance issues.
Systems & Record Keeping	TechnologyForge asset records lack clarity on ownership and compliance responsibilities with compliance data inconsistently recorded and multiple supporting spreadsheets.
	Formal contracts and/or Procurement Decision Records are lacking for areas of significant contractor expenditure and some arrangements require retender.
Medium Priority	
Systems & Record Keeping	The Asbestos Register is out of date with no dedicated resources or project plan for its update and the current review process is ad hoc and inefficient.

	There are gaps and inaccuracies in Gas Safety and Lifts compliance records (2 recommendations).
	There are shortcomings in service delivery of Water Hygiene services and gaps in record-keeping.
Roles, Responsibilities, Qualifications & Training	Roles and responsibilities for key compliance areas are unclear, lacking formal documentation with outdated policies and no clear inclusion in job descriptions and structure charts.
	Corporate H&S Policy lacks clarity on Service Directorate responsibilities for compliance inspections and monitoring with no formal procedures to support and verify checks undertaken.
	Lease agreements lack clear compliance terms raising potential liability risks for the Council.
	Required proof of professional body memberships is not consistently obtained from contractors in a timely manner.
Policies & Procedures	Key compliance policies are out of date or missing, lack clarity on inspection frequencies and responsibilities and compliance arrangements following Community Asset Transfers are unclear.
Planning & Resource Allocation	Comprehensive and up-to-date forward plans are lacking for lifts and gas safety inspections to support effective resource planning and allocation.

6. There were no 'Minimal' assurance audit reports issued during the quarter.
7. The status of **audits in progress** during the quarter are outlined below:

	Service Area	Audit	Progress
1	Adult Social Care	Homecare & Residential Payments	Draft Report
2	Housing & Communities	Temporary Accommodation & Bed & Breakfast Financial Management	Draft Report
3	Finance	Health & Safety (Core KAF)	Draft Report
4	Planning & Transport	CIL – Management of Spend	Fieldwork
5	Law & Governance	Business Continuity (Service KAF)	Fieldwork
6	Commissioning	Supplier Assurance	Fieldwork
7	Commissioning	Tricuro	Fieldwork
8	Finance	Treasury Management (KFS)	Fieldwork
9	IT & Programmes	Third Party Access	Fieldwork
10	Finance	Creditors	Fieldwork
11	Finance	Mandate Fraud (Counter Fraud)	Fieldwork
12	Adult Social Care	Safeguarding (Core KAF)	Fieldwork
13	Commercial Operations	Car Parking & Enforcement Income Management	Fieldwork
14	Children's	Commissioning Delivery including Quality Assurance	Fieldwork
15	Planning	Planning Applications (Counter Fraud)	Fieldwork

16	Children's	Fire, Health & Safety (Service KAF)	Fieldwork
17	Finance	Business Continuity (Service KAF)	Scoping
18	Finance	Business Continuity (Core KAF)	Scoping
19	Investment & Development	KAF Overview	Scoping
20	Finance	Debtors	Scoping
21	Finance	Asset Management (Estate Management)	Scoping
22	Finance	Procurement	Scoping
23	Marketing, Comms & Policy	Sustainable Environment	Scoping
24	Finance	Risk Management (Core KAF)	Scoping
25	Housing & Community	Housing Rents	Scoping

8. The 2024/25 Audit Plan was kept under review to ensure that any changes to risks, including emerging high risks, are considered along with available resource. The **following changes have been made to the 2024/25 audit plan** since the previous report to A&G Committee in October:

	Service Area	Audit	Added / Removed	Comment/rationale
1	Housing	Housing Quality including New Social Housing Regulations Compliance	Removed	The timing of this is dependent on the outcome of the Housing Quality Network external assessment into the readiness for the new Regulator of Social Housing Rules. This is now not expected until February, so the audit has been postponed until Quarter 1 in 2025/26.
2	Housing	Housing Assets Health & Safety Compliance Follow Up	Removed	Incorporated into a more detailed/extensive crossover year audit (2023/24/25) of Housing Assets Health & Safety Compliance, the results of which were reported to the previous Audit & Governance Committee. An audit is planned for 2025/26 which will include follow up of the recommendations made.
3	Education & Skills	Capital Programme	Removed	The team has recently recruited Project Managers who will be addressing known

				issues as highlighted in previous Capital Programme audit. The audit was agreed to be postponed until early 2025/26 to review actual arrangements.
4	Customer & Property	Asset Management (Facilities Management)	Removed	Incorporated into a more detailed/extensive crossover year audit (2023/24/25) of Customer & Property – Facilities Management Health & Safety Compliance (Corporate Assets), the results of which are reported above. An audit is planned for 2025/26 which will include follow up of the recommendations made.
5	Council wide	Continuous Auditing: - Expenses - P Card payments - Purchases under £250	Added	These were added to the plan as a result of progress made on the Internal Audit Data Analytics Strategy.

9. Quarter 4 planned audits are shown below. As the audit plan is risk-based, it may be that the plan is amended, for example, following emergence of higher risk areas.

2024/25 Audits Planned for Quarter 4 - Provisional

	Service Area	Audit
1	Children's Services	Schools Finance audit
2	Commercial Operations	FCERM – Commercial Sharing & Cost Control / Recovery Approach
3	Commercial Operations	Council Companies Governance Follow Up
4	Planning	Highways Infrastructure Asset Review
5	Commercial Operations	Seafront – Arrangements for Compliance with Planning Regulations
6	Law & Governance	Information Governance
7	Marketing, Comms & Policy	Partnerships
8	Commissioning	Brokerage Contract Allocation Analysis
9	Adult Social Care	Liberty Safeguards
10	Marketing, Comms & Policy	Business Planning & Performance (Core KAF)

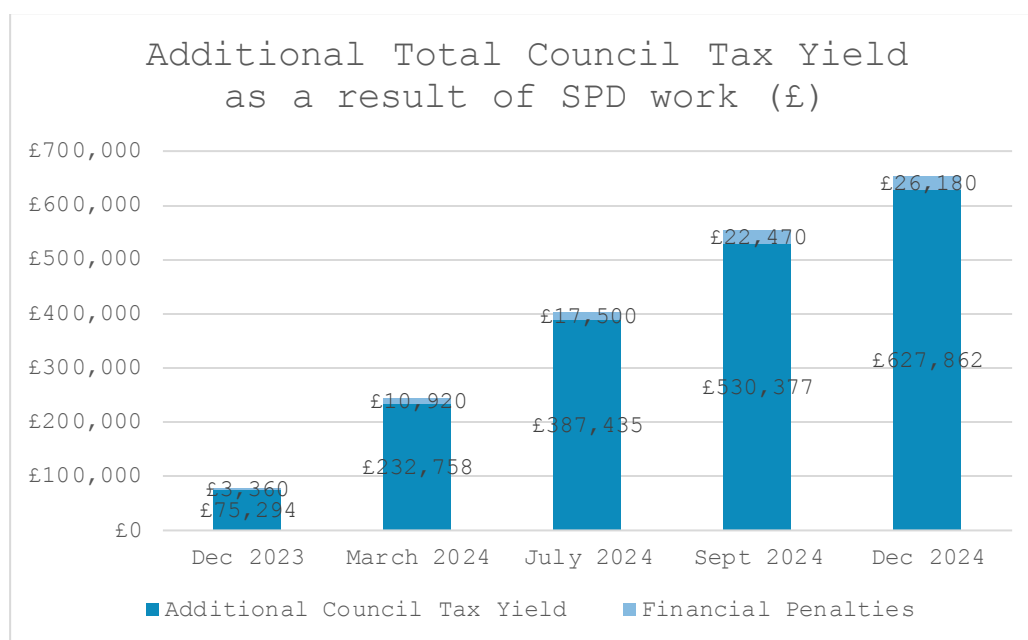
11	Marketing, Comms & Policy	Business Planning & Performance (Service KAF)
12	People & Culture	IR35 Compliance
13	IT & Programmes	Project & Programme Management
14	Customer & Property	Corporate Complaints
15	Environment	Coroner & Mortuary Service
16	Customer & Property	Fire Safety (Core KAF)
17	Partnerships & Strategy	KAF Overview

10. Based on the progress against the plan to date, as shown above in paragraphs 3 (final reports), 6 (audits in progress) and 8 (planned audits), the plan is on track to be materially delivered in time to support the Chief Internal Auditor's annual audit opinion.

11. Significant Issues Arising and Other Work

Single Person Discount

12. Further work has been carried out on the Single Person Discount (SPD) pilot project to increase Council Tax yield by systematically reviewing all National Fraud Initiative (NFI) data matches that may indicate fraud or error in relation to residents claiming SPD. Discounts are removed where fraud or error is found, and the national penalty charge (£70) is levied for failure to notify the Council of a change in circumstances.
13. An additional 89 SPDs were removed during Q3, bringing the total to 547 since the project began. The total additional council tax yield stands at £654,042 (including financial penalties), up from £552,847 at the end of Q2. The progress is shown in the table below.



14. On average, each SPD removed results in approximately an additional £668 in billed underpayments and £1,148 of total additional council tax yield.
15. As previously reported, the highest individual case has resulted in an additional yield of £3,884.84 where an SPD going back to 2015 was removed.
16. Following the success of the pilot project, this activity has now been handed over to the Income Maximisation and Compliance team in the Revenues Service (as of Dec 24). Internal Audit will complete all the reviews that they commenced of which there are now only 15 remaining.

Other work

17. During the quarter, testing and verification was undertaken to certify grant schemes totalling approximately £4 million as required by the grant funding conditions. The grants include:
 - Supporting Families
 - Disabled Facilities Grant
18. Ten Early Education Fund audits were issued as final during the quarter. Issues regarding the funding claim were raised for one setting which the Early Education Funding Team have been made aware of.
19. Work is continuing to ensure compliance with the new Global Internal Audit Standards (GIAS), which Internal Audit teams are required to comply with from 1st April 2025. These new standards replace the existing Public Sector Internal Audit Standards. The new GIAS represents an evolution rather than any fundamental changes. Some key updates include explicit requirements for the board (i.e. Audit & Governance Committee) and senior management, consideration of root cause analysis, and the introduction of 'Topical Requirements' which will provide consistent methodology when assessing effectiveness of governance, risk and controls in key areas such as Cybersecurity.

20. Following an initial assessment against the new standards which showed we were well positioned to comply with the GIAS, work is underway against the action plan to ensure we are compliant. Audit & Governance Committee will receive a more detailed report at the 20/3/2025 meeting providing an overview of the GIAS and actions planned to ensure full compliance.

Implementation of Internal Audit Recommendations

21. It is a requirement of the Audit Charter that all High Priority recommendations that have not been implemented by the initially agreed target date (or the agreed revised target date) will be reported to the Audit & Governance Committee (where the revised target date has not previously reported). This is to ensure the Committee is fully appraised of the speed of implementation to resolve, by priority, the most significant weaknesses in systems and controls identified.
22. There were 8 high recommendations across 4 audits which met the criteria; they are shown in detail in Appendix 1.
23. All remaining High Priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management.
24. The Audit Charter also requires any management proposed revisions to the implementation dates of Medium Priority recommendations to be agreed by the Chief Internal Auditor, who will report to Audit & Governance Committee any such requests considered unreasonable.
25. As at the end of December, there were not considered to be any recommendations which met this criteria.
26. Audit & Governance Committee are asked to review Appendix 1, along with the explanations and the revised timescales. Relevant Directors can be asked for further explanations as required; explanations can be in written or verbal form, as the Committee deems appropriate for each individual circumstance.

Options Appraisal

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

Summary of financial implications

28. The BCP Council Internal Audit Team budgeted cost for 2024/25 is £752,000; this figure is inclusive of all direct costs, including supplies & services, but it does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). The budget figure also includes the Head of Audit & Management Assurance who manages other teams.
29. The BCP Council Internal Audit Team is currently at full establishment, having successfully recruited an Audit Manager to replace the departing Audit Manager. Consequently, there is projected to be a budget overspend for 2024/25 of approximately £30,000 because of required budget vacancy factor savings will not be realised.

Summary of legal implications

30. This report gives a source of assurance on the adequacy and effectiveness of the risk, control, and governance systems in place.

Summary of human resources implications

31. The Internal Audit Team currently consists of 14.35 FTE inclusive of the Head of Audit & Management Assurance. 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

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

Appendix 1 - High Priority recommendations – original target date for implementation not met

Appendix 1 - Table showing High Priority recommendations where the original target date for implementation was not met (where revised target date has not previously been reported to A&G or the previously reported revised date has passed)

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
2023/24 Children's Services - Agency Staffing					
That a process for determining and approving pay rates for agency staff is established and is also used as the basis for ongoing evaluation of whether the agreed rate continues to represent value for money.	01/09/24; 31/12/24	<p>Current pay rates are set for agency workers using sector intelligence provided by our partners Commensura to ensure that we are offering an attractive proposition to interim workers, whilst at the same time ensuring we are achieving value for money in a market where demand far outweighs supply.</p> <p>Our population of off contract costly agency workers has significantly reduced - see narrative below within this table.</p> <p>Following the recent DfE guidance in relation to Children's agency workers' pay rates, the HR Team & Children's team are continuing to work towards setting pay rate cap for social workers with other councils in our region, which will take effect in October 25. It is hoped that this work will result in further value for money.</p>	31/10/25	Yes – October 2024	Progress is well underway and the risk associated with pay rates has significantly reduced as a result.
<p>That the corporate Recruitment and Selection Policy and guidance on the use of agency workers is updated to include expected processes for those agency workers engaged via "off contract" agencies, with specific reference to the following:</p> <ul style="list-style-type: none"> the method by which service and corporate directors should evidence authorisation of agency staff usage. the defined responsibility for checking and retaining recruitment records, including references, right to work, visas, 	31/10/24	<p>Considerable progress has been made to reduce our off contract agency workers and we are now engaging just one worker within children's services off contract. There has not been any new off contract bookings within the past year in any council department.</p> <p>Our current guidance does not allow engagement of off contract workers and this will be reviewed in light of the audit recommendations. We are actively seeking to terminate off contract workers</p>	30/5/25	No	Progress is well underway and the risk associated with pay rates has significantly reduced as a result.

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
<p>DBS checks, qualifications etc.</p> <ul style="list-style-type: none"> the method of how payments will be made and timesheets managed for agency staff and how these will be monitored. <p>In addition, that the corporate Recruitment Policy and guidance on the use of all agency workers is reviewed to consider what arrangements should be in place for the following:</p> <ul style="list-style-type: none"> the authorisation requirements by senior management for the use of agency staff placements for prolonged periods (e.g. for six months, a year, longer). the authorisation and business case requirements for using agencies outside of the Comensura corporate contract. how these arrangements will be monitored to ensure compliance. 		<p>and replace with Commensura agency workers or direct hires, wherever possible.</p> <p>Services are provided with regular updates in relation to long standing agency workers through business partner updates. Given our high dependency on agency workers within Children's Services, it is not operationally viable to end all long term agency workers at this time, without significantly impacting service delivery.</p>			
Linwood School					
<p>That an action plan is developed in liaison with BCP Children's Services and School's Finance to establish an agreed recovery strategy for the deficit.</p> <p>That the cause of the deficit is investigated and agreed to ensure the risk of additional future deficits of this kind is limited.</p>	06/09/24; 31/12/24	<p>The school has completed work with a DfE School Resource Management Advisor (SRMA). The SRMA provided a follow up to the early review and focused visit to provide further advice on utilisation of resources. The original report was issued to BCP in July 2024. The recommendations include items previously identified by BCP such as the funding of health and therapy provision, alongside internal areas of expenditure for the school to review. There is also identification of the issues associated with lack of funding inflation.</p> <p>A meeting between the School's Executive Headteacher, Schools' Finance Team and Education Team was held in July 2024 to identify</p>	31/3/25	Yes, October 2024	<p>Whist work is underway by both the school and BCP Council which has helped identify the cause/s of the deficit, a recovery strategy is not yet in place. Therefore, this recommendation will be kept open and reviewed again in the light of the 2025/26</p>

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
		<p>issues including static income levels.</p> <p>The BCP Council banding review is on-going (first communicated in 2019). A further meeting has been organised for late January to further discuss the school's funding.</p> <p>The Schools' Finance Team will provide support to the school ensure the latest budget forecast is reflected in the Q3 return. The school is currently forecasting an in year deficit which will increase its cumulative deficit position. The school's Governors have expressed concern over the last three years about their inability to meet their statutory duty to set a balanced budget.</p> <p>The school is currently preparing the 25/26 budget based on existing funding levels.</p>			<p>budget.</p> <p>Internal Audit propose to review Schools' Financing in Q4.</p>
Main Accounting					
<p>A formal training program should be put in place to ensure that all Council officers who use Dynamics have the skills and knowledge to be able to use it efficiently and effectively.</p> <p>Training could be grouped by the requirements of the following user groups:</p> <ul style="list-style-type: none"> FMS Team Accountancy All other officers 	<p>30/9/24; 31/12/24</p>	<p>Training on Dynamics and PowerBI was delivered to Finance during a team meeting.</p> <p>Training for the FMS Team is more challenging to provide and the one of the Financial Management Team Manager's objectives for the year is to consider the best way to delivery training to the FMS Team.</p> <p>For the wider Council, both general and Dynamics/PowerBI specific training is planned, They are trying to identify an external training provider to do this. The idea is to start with Directors Strategy Group, then Senior Leadership Network before wider dissemination, and hopefully a link to Skillgate. Timescales are dependent on</p>	29/4/25	Yes; October 2024	<p>Although taking longer than expected, work is underway to address the recommendation and a wider roll out is planned. Given the direction of travel, the risk associated with this is decreasing.</p>

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
		finding the right provider.			
Developer Contributions – Management of Spend					
<p>R1. In liaison with the MasterGov system project team, Management should:</p> <p>(a) Carry out a comprehensive review of all existing Planning Obligations systems and policies and develop a unified policy framework to ensure consistency and reduce errors.</p> <p>(b) Clearly define and document any specific requirements for the Planning Obligations module within the MasterGov system. Ensure that the system is integrated with the General Ledger and includes a robust tracking system to link specific developer contributions to their associated expenditures.</p> <p>(c) Develop a detailed formal plan for the collation, review, cleansing and transfer of data to the new system including timescales, responsibilities and allocation of suitable and sufficient resource.</p> <p>(d) In consultation with Finance, ensure that interface arrangements with the Council's financial systems are formally defined, agreed and incorporated into the MasterGov project plan.</p> <p>(e) Establish clear operational responsibilities and resourcing arrangements to take effect following implementation to include regular reviews and updates of data to ensure integrity and accuracy is maintained.</p>	31/12/24	The need to address these actions has not been forgotten. These have been impacted by the delay in implementing the MasterGov system. This is now due to be implemented in the first week of March. The revised date of 30/6/25 recognises that MasterGov will require a range of new flows and processes to be put in place and this is across a number of teams. Management are looking to recruit additional resource into the Planning Contributions Team to assist with coordination going forward.	30/6/25	No	It is understood that resource pressures and the delay in the implementation of the MasterGov system have delayed the implementation of the recommendations. Management remain committed to implementing these by the revised date.
<p>R2. In liaison with Legal and Planning colleagues, Management should:</p> <p>(a) Conduct a thorough search for all missing s.106 documentation.</p>					

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
<p>(b) Establish a centralised, secure repository for documentation to ensure ease of access and protection from loss, giving explicit consideration to digitisation of new and existing s.106 agreements for ease of access and resilience.</p> <p>(c) Review existing Planning Obligation records to ensure all records are complete, accurate and up-to-date with a focus on filling gaps in critical information such as expiry dates.</p>					
<p>R3. In liaison with Accountancy, Management should:</p> <p>(a) Introduce robust arrangements to accurately track and link specific developer contributions to their associated expenditures. This should include detailed records that demonstrate compliance with each s.106 agreement.</p> <p>(b) Establish regular reporting mechanisms to monitor compliance with s.106 agreements and spending of contributions.</p> <p>(c) Carry out periodic sample compliance checks to ensure that developer contributions are accurately and comprehensively logged, allocated and spent appropriately within agreed timescales.</p>					
<p>R4. In liaison with relevant Service Directorates, Management should:</p> <p>(a) Improve resilience and minimise errors by developing formal procedure notes relating to processing of Planning Obligations and associated records management covering all legacy areas, systems and Service Directorates.</p> <p>This should include the agreement and implementation of clear communication channels and protocols for information sharing between Service Directorates, Planning and Accountancy. Standardised reports should be developed for provision of information to Service Directorates when funds are transferred to them and for Service Directorates to</p>					

Recommendation	Original/ Revised Target Date/s	Explanation from Director	Revised Target Date	Previously Reported to A&G?	Internal Audit Comments
provide timely updates on how and when developer contributions have been spent. (b) Provide comprehensive training for all relevant staff to ensure that Planning Obligations procedures and processes are fully understood and implemented effectively.					

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Forward Plan - Refresh for the 2024/25 municipal year
Meeting date	27 January 2025
Status	Public Report
Executive summary	This report sets out the refreshed list of reports to be considered by the Audit & Governance Committee for the 2024/25 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 refreshed Forward Plan as 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 2024/25.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
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 for 2024/25, as set out at Appendix A, has been refreshed to set 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. Topics requiring this Committee's consideration within its terms of reference can be added at any time in the year or as they arise. These topics are generally shown in the 'Other Reports or Training Presentations' section of the Forward Plan, Appendix A, and depending on their nature are usually added to a meeting marked 'extra'. These additional reports/presentations are made available to the public with the meeting minutes.
5. The Indicative Forward Plan for 2025/26 is attached at Appendix B. For information, the following two reports are planned to be included:
 - Information Governance Update (moved from 20 March 2025 to July 2025 to allow for full 2024/25 data reporting)
 - FuturePlaces Update report (date to be agreed)

Options Appraisal

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

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

Appendix A – Audit & Governance Committee – Forward Plan 2024/25

Appendix B – Audit & Governance Committee – Indicative Forward Plan 2025/26

Audit & Governance Committee – Refreshed Forward Plan 2024/25

REPORT	30 MAY 2024 (extra)	25 JUL 2024	5 SEP 2024 (extra)	17 OCT 2024	28 NOV 2024 (extra)	27 JAN 2025	27 FEB 2025 (extra)	20 MAR 2025
EXTERNAL AUDITOR'S REPORTS								
External Auditor – Audit Plan 2023/24	✓							
External Auditor – Audit Findings Report 2021/22, 2022/23 and 2023/24 (note 2022/23 audit will be subject to backstop arrangements)	✓					✓		
External Audit – Auditor's Annual Report 2023/24							As required depending on agreed timetable and national issues	
External Auditor – Audit Progress & Sector Update							As required depending on agreed timetable and national issues	
ANNUAL REPORTS								
Draft Statement of Accounts 2023/24						✓		
Annual Governance Statement 2023/24 and Annual Review of Local Code of Governance (<i>1 update on Action Plan only</i>)		✓				✓ ₁		
Chief Internal Auditor's Annual Opinion Report 2023/24		✓						
Annual Breaches & approved Waivers of Financial Regulations Report 2023/24		✓						
Annual Review of Declarations of Interests, Gifts & Hospitality by Officers 2023/24		✓						
Use of Regulation of Investigatory Powers Act and Investigatory Powers Act Annual Report 2023/24		✓						
Audit & Governance Committee Annual Report		✓						
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2023/24				✓				
Emergency Planning & Business Continuity Update				✓				
Health & Safety and Fire Safety Update				✓				
Treasury Management Strategy Refresh/Approval for next financial year						✓		
Assurance Framework & Internal Audit Planning Consultation						✓		
Internal Audit Charter & Audit Plan for next financial year								✓
Information Governance Update								Moved to July 2025
ANNUAL OR PERIODIC POLICY UPDATES								
Annual evolution of Policies for 2025/26: - 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 2025/26.							✓	
QUARTERLY / HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update		✓		✓		✓		✓
Risk Management – Corporate Risk Register Update		✓		✓		✓		✓
Forward Plan (refresh)		✓		✓		✓		✓
Treasury Management Quarterly Monitoring Report		✓		✓		✓		
OTHER REPORTS OR TRAINING PRESENTATIONS (These items may be deeper dive presentations rather than formal reports, as agreed by the Chair)								
Adequacy of governance arrangements to secure planning approval for Council commercial activity – including concessions and in-house run services	✓							
Appointment of, and management of Consultants – governance arrangements including business cases, procurement and contract monitoring	✓							

Governance and safeguards – the current decision making process for the budget / MTFP			✓					
Procurement and contract management governance – Part G of Financial Regulations			✓					
Local Audit Backlog Update				✓				
Statement of Accounts 2022/23					✓			
Review of the Council's Constitution – Recommendations of the Working Group					✓			
Governance surrounding the disposal of Council land and property					✓			
Transparency of Officer decision making and accountability to Councillors					✓			
Borrowing Proposals for Hawkwood Road and CNHAS						✓		
Performance Management Governance & Reporting							✓	
Business Planning Governance & Reporting							✓	
New Global Internal Audit Standards overview and action plan								✓
<i>Others to be agreed by the Chair as identified</i>								

Audit & Governance Committee – Indicative Forward Plan 2025/26

REPORT	29 MAY 2025 (extra)	24 JUL 2025	4 SEP 2025 (extra)	16 OCT 2025	27 NOV 2025 (extra)	15 JAN 2026	6 FEB 2026 (extra)	19 MAR 2026
EXTERNAL AUDITOR'S REPORTS								
External Auditor – Audit Plan 2024/25	As required depending on agreed timetable and national issues							
External Auditor – Audit Findings Report 2024/25	As required depending on agreed timetable and national issues							
External Auditor – Auditor's Annual Report 2024/25	As required depending on agreed timetable and national issues							
External Auditor – Audit Progress & Sector Update	As required depending on agreed timetable and national issues							
ANNUAL REPORTS								
Statement of Accounts 2024/25	As required depending on External Audit timetable							
Annual Governance Statement 2024/25 and Annual Review of Local Code of Governance (<i>1 update on Action Plan only</i>)		✓				✓ ₁		
Chief Internal Auditor's Annual Opinion Report 2024/25		✓						
Annual Breaches of Financial Regulations Report 2024/25		✓						
Annual Review of Declarations of Interests, Gifts & Hospitality by Officers 2024/25		✓						
Use of Regulation of Investigatory Powers Act and Investigatory Powers Act Annual Report 2024/25		✓						
Information Governance Update		✓						
Audit & Governance Committee Annual Report		✓						
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2024/25				✓				
Emergency Planning & Business Continuity Update				✓				
Health & Safety and Fire Safety Update				✓				
Treasury Management Strategy Refresh/Approval for next financial year						✓		
Assurance Framework & Internal Audit Planning Consultation						✓		
Internal Audit Charter & Audit Plan for next financial year								✓
ANNUAL OR PERIODIC POLICY UPDATES								
Annual evolution of Policies for 2026/27: - 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 2026/27.							✓	
QUARTERLY / HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update		✓		✓		✓		✓
Risk Management – Corporate Risk Register Update		✓		✓		✓		✓
Forward Plan (refresh)		✓		✓		✓		✓
Treasury Management Quarterly Monitoring Report		✓		✓		✓		
OTHER REPORTS OR TRAINING PRESENTATIONS (These items may be deeper dive presentations rather than formal reports, as agreed by the Chair)								
FuturePlaces Update report	To be determined							
Other reports to be agreed during the year								

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