

Oversight and Governance

Chief Executive's Department Plymouth City Council Ballard House Plymouth PLI 3B

Please ask for helen rickman T 01752 668000 E helen.rickman@plymouth.gov.uk www.plymouth.gov.uk Published 20 March 2023

AUDIT AND GOVERNANCE COMMITTEE - SUPPLEMENT PACK

Monday 20 March 2023 I.00 pm Warspite Room, Council House

Members:

Councillor Lugger, Chair
Councillor Lowry, Vice Chair
Councillors Evans OBE, Tofan, Wheeler, and Mrs Annette Benny (Independent Member).

Members are invited to attend the above meeting to consider the items of business overleaf.

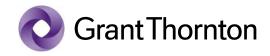
For further information on attending Council meetings and how to engage in the democratic process please follow this link - <u>Get Involved</u>

Tracey Lee

Chief Executive

Audit and Governance Committee

7.	External Auditor - Updated Auditor's Annual Report 20/21 and 21/22:	(Pages I - 44)
12.	Whistleblowing Policy:	(Pages 45 - 56)
13.	Treasury Management Practices and Principles:	(Pages 57 - 120)
15.	Review of Arrangements for Dealing with Complaints Through the Code of Conduct:	(Pages 121 - 132)
16.	Risk Management Update/ Risk Register:	(Pages 133 - 148)
17.	Tracking Decisions:	(Pages 149 - 152)



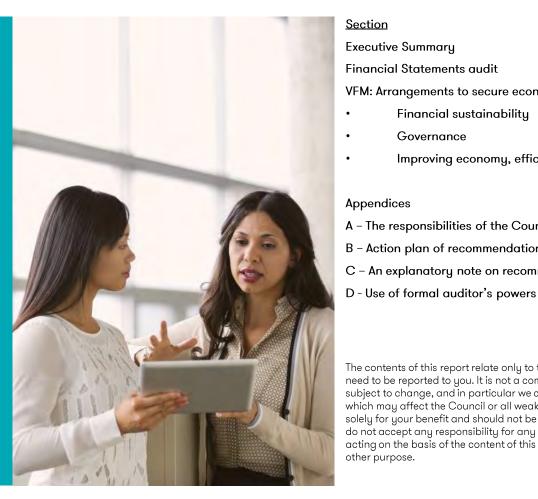


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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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

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Executive summary



Value for money arrangements - key recommendation and improvement opportunities

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We have written this annual report, with our VFM commentary in it, for both the 2020/21 and the 2021/22 financial years, for two reasons:

- we have been unable to close the 2019/20 financial statements audit, and commence the 2020/21 and the 2021/22 financial statement audits; and
- the Council is facing a financial crisis in the medium-term, from 2023/24 and beyond, and we need to report on the Council's VFM arrangements to the Audit and Governance Committee on 28 November 2022.

2020/21 and 2021/22 were unprecedented years in which the Council operated with a large number of its staff home working whilst supporting local businesses and residents through the pandemic. The Council responded well to COVID 19 and put in adequate arrangements to support its stakeholders.

Overall:

- We identified three key recommendations, in response to the significant weaknesses in Financial Sustainability and 11 opportunities for improvement, across all of the three Code's criteria, 14 recommendations in all, which are reported overleaf and the findings set out in detail within our report.
- The table below shows, in summary, our risk assessment and conclusion for the three VFM criteria: Financial Sustainability, Governance and Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	 Risk of significant weaknesses identified in 20/21 audit plan 	 Significant weaknesses in arrangements still exist in overall arrangements resulting in: three key recommendation; four improvement recommendations made
Governance	Risk of significant weakness identified in 2020/21 audit plan	 No significant weaknesses in arrangements identified during our fieldwork, however three improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	 No significant weaknesses in arrangements identified during our fieldwork however, four improvement recommendations made

Executive summary

Financial sustainability - how the body plans and manages its resources to ensure it can continue to deliver its services



The Council is operating in an increasingly uncertain financial environment. For the second successive year, in 2020/21, the Comprehensive Spending Review was a single year spending review. The Council delivered a breakeven position for the 20/21 financial year, after taking into account central government funding for COVID-19 and one-off adjustments. However, the Council's financial position is critical as there were significant funding gaps in each year of its five-year medium term financial plan with a total cumulative funding gap of £256 million to 2027/28. We have identified a significant weakness in the Council's financial sustainability. We are not satisfied that the Council has appropriate arrangements in place to manage the risks it faces (like many other authorities) in respect of its financial resilience and have identified three KEY recommendations and four improvement recommendations, as follows:

Key recommendations:

- R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time into the base position.
- R2: The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24;
- R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the Council's significant financial challenges and associated workload during 22/23.

Improvement recommendations:

- R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.
- R5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organisation. Service budgets and financial forecasts should be aligned with the Council's outcomes.
- R6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that oficers and members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.
- R7: We consider that the Council's level of unearmarked General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit the Reserves Strategy and build up its reserves at a rate of greater than the current planned contribution of some £350,000 a year from 23/24.

Governance - How the body ensures that it makes informed decisions and properly manages its risks



Our work for the 20/21 and the 2021/22 financial years focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic. Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified three improvement recommendations:

Improvement recommendations:

• R8: We recommend that the Strategic Risk Register better informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision makina.

Executive summary (continued)



Governance (Continued)

Improvement recommendations:

- R9: Given the significant financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly financial monitoring reports so that senior officers and members may see the level of variances at a service activity level to better inform decision making.
- R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards (in the Financial management Code), produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Improving economy, efficiency and effectiveness - How the body uses information about its costs and performance to improve the way it manages and delivers its services



The Council's ambition, community engagement and effective partnership working commendably earned it the national 2021 "Council of the Year" award as judged by the Municipal Journal. The Council has adequately delivered economy, efficiency and effectiveness in is use of resources. As part of its transformation journey, the Council still needs to effectively use benchmarking and data quality assurance to better understand the information about its costs and performance to improve the way it manages and delivers its services. We did not identify any risks of significant weakness, but we have identified the following four improvement recommendations.

Improvement recommendations:

The Council should:

- R11: develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.
- R12: consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.
- R13: define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the Council's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.
- R14: produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.



Financial Statements audits

• Our progress on the 2019/20 and the 2021/22 financial statements audits, to date, is summarised on page 6 overleaf.

Financial statements audits



Opinions on the financial statements for the 19/20 and 20/21 accounts

Nationally, there is a technical accounting issue currently being debated by CIPFA on how public sector bodies account for their infrastructure assets in accordance with the International Financial Reporting Standards (IFRS). All local government audit opinions, for all firms, await national guidance and a possible statutory override of IFRS for infrastructure assets which is why we cannot sign any audit opinions without qualifying those with material infrastructure asset balances until this is resolved, which may be in the Autumn 2022.

2019/20 financial statements

We presented our 2019/20 audit findings, to date, to 29 September 2022 Audit and Governance Committee. We reported that our work is incomplete and there are a number of areas where we are awaiting further information and revised accounts from the Council to conclude our work. These include:

- Receipt of a revised set of financial statements, incorporating a number of changes including those relating to financial instruments;
- The conclusion of our work in respect of the pension transaction a significant issue which has consumed significant Council and audit resource.
- · Resolution of the national issue relating to the carrying value of infrastructure assets within the Council's financial statements

The Council will need to reflect on the impact of the pension transaction within its Annual Governance Statement and we will review the other information to be published with the financial statements for consistency with our knowledge of your organisation once this is resolved.

2020/21 financial statements

Depending on the outcome of the 2019/20, we plan to start the audit of the 2020/21 financial statements in January. We have been made aware through our 2020/21 planning work that one-off adjustments at the 2020/21 year-end has enabled the Council to report a breakeven position for that year so we will be adding these issues to our areas of audit focus.

We presented a revised 2020/21 audit plan to 28 November 2022 Audit and Governance Committee.

2021/22 financial statements

We need to discuss with officers how we both work to auditing the annual accounts within the normal local government cycle as by the time we come to audit the 2021/22 financial statements, officers will be preparing the 22/23 financial statements in May 2023.



VFM: Arrangements to secure economy, efficiency and effectiveness in use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Conclusion

Plymouth City Council is an ambitious council that continues to achieve and improve the lives of its residents, through partnership working and community engagement, and commendably it earned the national 2021 "Council of the Year" award as judged by the Municipal Journal. Judges described Plymouth as "a local Council that has put culture-led regeneration and a sense of place at its heart, one that is determined to put its city on the map for all the right reasons".

The 2022 LGA Peer Review (Feb 2022), commissioned by the Council's Leadership, stated that "Leading the way in terms of delivering economic growth has been a powerful driver for PCC to date and has already delivered a powerful legacy for the council, but as Plymouth - both the council and the city – emerges from the pandemic, and the Plymouth Plan is reviewed to reflect the impact of the last 2 years on demand led services, it's vital that the importance of this changing narrative for core statutory services is reflected in the ambition for Plymouth and that delivering social value receives parity of esteem with economic growth across all services areas."

However, the Council's ambitions and potential commitments, with partners, under its Corporate Plan and the longer term 2014 – 2034 Plymouth Plan appear not to be underpinned by adequate financial funding in the medium nor longer term. The Council made immediate revisions to service costs for the 22/23 financial year given the forecast £14.855 million deficit at the end of June 2022. After accounting for savings of £7.716 million, the forecast revenue outturn is currently estimated at a net £6.656 million over budget, which is a variance of +3.4% against the net budget at the end of August 2022. Although the Council is actively managing its in year 22/23 financial position, at a detailed level, we are not satisfied the Council has appropriate arrangements in place to manage the risk to its medium-term financial sustainability and we would consider this a significant weakness in the Council's arrangements for ensuring it has the capacity to continue to deliver sustainable services in the medium term. Many of the challenges are sector wide given the dual challenges of inflation and increased demands for local government services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



We considered how the Council:

<u>FS1</u>: identifies all the significant financial pressures it is facing and builds these into its short and medium term plans;

<u>FS2</u>: plans to bridge its funding gaps and identify achievable savings;

FS3: plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

<u>FS4</u>: ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning;

<u>FS5</u>: identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Significant weakness in financial sustainability

Plymouth City Council (the "Council) has experienced deteriorating financial resilience for a number of years with its service spending pressures, its demand led children and adult social care costs, the impact of COVID-19 and the affordability of its ambitious capital programme. The Council's ability to increase local taxation in line with inflation for several years has also impacted its financial sustainability as its level of general fund reserves is in the lowest 20% of unitaries nationally. General Fund reserves at £8.044 million are currently some 4% of net revenue expenditure. The budget monitoring reports during 20/21 and 21/22 showed significant overspends which reduced following one-off adjustments so the Council was able to break-even in both financial years.

The Council made immediate revisions to service costs for the 22/23 financial year given the forecast £14.855 million deficit at the end of June 2022. After accounting for savings of £7.716 million, the forecast revenue outturn is currently estimated at a net £6.656 million over budget, which is a variance of +3.4% against the net budget at the end of August 2022. In setting the Council tax for 22/23, members chose not to follow the advice of the Council's section 151 officer to increase council tax within referendum limits. This decision impacts both the 22/23 budget and future budgets by not building on the base positions resulting in cumulative lost income of some £2.1 million a year, which would mean a "loss" of £10.5 million over the five year MTFS. In our view this was not a decision made after a full assessment of the degree of financial risk by members and this is not a decision that should be repeated in setting the 23/24 budget when the Council has such significant financial challenges. The Council's Medium Term Financial Strategy (MTFS) needs to be updated and reported as a priority for the December 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFS, in February 2022, showed a cumulative deficit over the next four years to 26/27 of £118 million, however this gap has widened significantly as the five year MTFS has been recalculated to include the 2027/28 financial year.

The Chief Executive spoke at Cabinet on 7 July 2022 of the "grave" financial situation that the Council is facing. The Council's Section S151 Officer and Service Director for Finance left at the end of September 2022 having been with the Council for 2 years. One of the Deputy Directors of Finance is "acting up" until a new Section 151 Officer is recruited for April 2023 and there is a 30% vacancy rate in the finance department. Given the significant financial challenges facing the Council, we recommend that the Council employs another senior finance officer, in the interim, so the senior finance team has the capacity and knowledge required to help manage the significant financial challenges and associated workload.

Conclusion

Overall, we are not satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have identified three key recommendations for financial sustainability and 4 opportunities for improvement, as follows:

Financial Sustainability Key recommendations:

- R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax
 within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable
 level of reserves over time.
- R2: The Council's Medium Term Financial Strategy (MTFS) needs to be updated, as a priority, for the December 22 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24;
- R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151
 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the Council's significant financial
 challenges and associated workload during 22/23 and beyond

Financial Sustainability Improvement recommendations

R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

R5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

R6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.

R7: The Council's levels of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

1: How the Council identifies all the significant financial pressures it is facing and builds these into its short and medium term plans;

Ongoing financial challenges

The 19/20 – 20/21 Medium Term Financial Strategy (MTFS), currently on the Council's website, shows the financial pressures and the financial funding gap was estimated to be £37 million at the end of 2021/22, as shown below as the "future funding gap".



Revenue outturn for 20/21 and 21/22

For the 2020/21 and the 2021/22 financial years, the Council reported a breakeven position against a net budget of circa £194 million. The year end performances were an improvement on the forecast outturn position reported throughout the years and were achieved due to the receipt of additional COVID-19 funding. For 20/21, there still was an overspend of £0.625 million at directorate level and corporate items showed an over spend of £4.859m for business as usual activities. For the 21/22 financial year, there were net additional cost pressures totalling £10.313m plus cost pressures arising from the COVID-19 pandemic of £9.604m which needed to be managed.

Financial planning

The budget for 21/22 was agreed by Full Council in February 2021. However the MTFS was not formally updated and reported, at that time, detailing the extent of the growing medium-term funding gap and how the Council planned to bridge the funding gaps over the subsequent five years. This was because there was a period of limited direction from central government and the inability for local government to plan in detail beyond a one year horizon because of COVID-19. All that was reported to Council was the in year funding gap of £7.112 million which included significant cost and volume increases for Adults' and Children's services, as the significant proportion of the Council's revenue budget (over 70%) is spent on these areas. Prior to receipt of the provisional settlement and spending review announcement financial modelling had shown a budget gap of £14.063m for the 21/22 financial year so the situation had ostensibly improved as management action actions were identified.

For 22/23, the annual budget gap increased to some estimated £30 million for the year. However, financial modelling scenarios with best, realistic and worst case scenarios were not formally presented to Cabinet. Instead the budget was presented with in-built planning assumptions using management actions that have not fully materialised Significant work is currently being undertaken by the Council to identify savings opportunities to balance the books for 2022/23, as at the end of June 2022, the Council was reporting a £13.617 million forecast deficit. The Council's Section 151 Officer has a draft Section 114 report in writing and may issue this if the 22/23 financial position is not improved by the 19 September 2022 Council meeting.

The MTFS, in February 2022, showed a cumulative deficit over the next four years to 26/27 of £118 million, however this gap widened significantly to £256 million, in September 2022, as the MTFS' fifth year was recalculated to include the 2027/28 financial year. The financial risks facing the Council are significant and given the low level of reserves, current indications are that the Council's financial position is critical.

Update at March 23:

Improvements in financial planning continue and we will comment on these further in our 2022/23 report. At the end of month 10, the Council reported a forecast deficit of £1.318 million for 22/23 as considerable work has taken place to reduce spend and increase income by £17m. This included use of reserves and one offs that will not be available in future years. A balanced budget for 23/24 was agreed by full Council in February 2023, however, a revised five year Medium Term Financial Strategy will not be formally reported to Council until September 2023.

2: How the council plans to bridge its funding gaps and identify achievable savings?

Savings plans

The Council monitors the delivery of planned savings on a monthly basis through its Centra Management Team (CMT) and Cabinet. Historically the Council has a good track record of delivering its savings targets. Over the last 10 years, the Council reported that it has successfully delivered a savings programme totalling some £185m which averages out at approximately £18 million a year. However, a savings target of only £7.4m was included within the 2020/21 budget set in February 2020. Whilst specific savings schemes could not be always be achieved due to the need to act on a responsive basis to the service delivery and other operational challenges brought about by the Pandemic, the Council nevertheless achieved overall financial balance, through one-off measures for the 2020/21 year.

For 21/22, £18.845 million of savings were approved by Cabinet in February 2021. Progress against in year delivery of savings, on a risk basis, is reported each month as below in the October 21 Financial Monitoring Report

Appendix A 2021/22 Savings status (1) Summary

	Total	Achieved savings	on track for delivery	Working on for delivery	Planned, internal/external actions requried to deliver
	£m	£m	£m	£m	£m
Children's	4.001	1.723	0.688	1.176	0.414
People	3.160	3.160	0.000	0.000	0.000
ODPH	0.028	0.028	0.000	0.000	0.000
Customer & Corporate	4.571	1.136	1.896	0.019	1.520
Place	1.035	0.080	0.045	0.257	0.653
Corporate Items	1.050	1.015	0.000	0.000	0.035
2021/22 Savings	13.845	7.142	2.629	1.452	2,622

Recurrent versus non-recurrent savings

Although the Council has a recent track record of closing budget gaps to produce breakeven outturns for 20/21 and 21/22, this has been mainly achieved through the use of additional COVID-19 grants and other one-off year end measures. This has masked the critical nature of the Council's financial position in year and in the medium term. It is not clearly reported whether savings are of a recurrent nature or whether they are one-off non-recurrent savings identified to balance the budget. The Council has a high level of vacancies, for example the vacancy rate in the Finance Department is approximately 30% so these vacancies are

classified as savings each year. The Council needs to identify new recurrent savings each year to sustainably close its funding gap rather than rely on annual vacancies. Difficult service decisions will need to be made to identify sufficient significant potential savings. The savings schemes at £11 million for 22/23 are insufficient to deliver the current years financial plan.

Improvement recommendation 4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

3: The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

Strategic priorities

The Council set out its longer-term strategic plan within the Corporate Plan 2021 to 2025, which alians to the Plymouth Plan 2014 - 2034. The Plymouth Plan sets the visions for the City for the Council and its partners and provides a strategic framework for its decision making, and informing the Medium Term financial forecast and annual budget setting.

The budget for 2021/22 was agreed by Full Council in February 2021. As part of that process, the Council's vision and values was restated as "A key principle informing the Council's response to the COVID-19 pandemic is that our existing vision, values, priorities and plans as summarised in the Corporate Plan remain fit for purpose. The Council's approach has been to prioritise key elements within the plan to ensure that we address the most immediate impacts of the pandemic (on those most vulnerable, and support the city's recovery, both in health and economic terms in Ω the most appropriate way. "

Capital investment

The Council has focussed on driving the City's growth agenda which included leveraging investment, business development and support, spatial planning and strategy, a strong cultural and events offer, housing delivery and the ambitious capital delivery programme which includes major sustainable transport improvements. The capital programme is significant, as shown below.

Planned capital expenditure 20/21 to 24/25

Directorate	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
People	10.300	2.391	7.009	3.025	-	22.725
Place	135.354	129.423	84.525	13.000	2.655	364.957
Customer & Corporate	7.932	31.003	-	-	-	38.935
Public Health	5.209	7.804	-	-	-	13.013
Total	158.795	170.621	91.534	16.025	2.655	439.630

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4: ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning;

Financial planning - consistency with other plans

Key financial strategies such as the capital strategy, treasury management, investments and borrowings are considered in the Council's annual budget setting round. The Council has a People Strategy, adopted in March 2020, but it is not clear how this is reflected in the Council's MTFS as we have seen no evidence of where workforce establishment has been reported at a FTE level as part of medium term financial planning. The Council's annual financial budget is not clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Some redundancies have been made as reported in the Council's Financial Statements, however this is not reported as a planning measure.

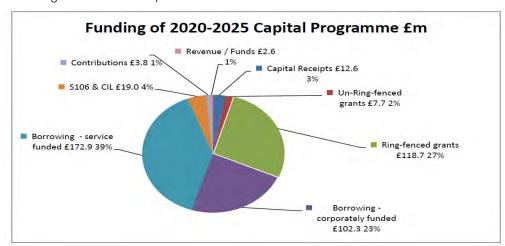
Improvement observation 5: The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

Treasury Management

The Council has formally adopted CIPFA's Code of Practice on Treasury Management. Its 20/21 Treasury Management Strategy was agreed by Cabinet in February 2020. Treasury mid-year statement and annual reports are presented regularly to the Audit & Governance Committee. The City has an ambitious capital investment programme which supports the local economy and the revenue implications of this investment are included within the budget plans, with an additional £1.485m added in 21/22. However, interest rates are rising which makes the capital programme less affordable in the long-term, especially where borrowing is funded by short-term borrowing. The Council has changed its debt portfolio in the last two years towards long term debt.

Funding for the capital programme

The Council's Capital Financing Reserve is financed by an increasing amount of external borrowing at some 62% compared to other sources as shown below:



Service borrowing accounts for 39% of the capital programme of £172.9 million. Service borrowing funds capital investments where the borrowing repayments are covered by income or savings being made within the Service Departments. However it is not reported whether the capital scheme has been effective and the savings made. The Council also funds projects from Corporate Borrowing at £102.3 million, some 39%. This is largely for projects that are considered to be overall strategic priorities and where the borrowing repayments are covered by making revenue provision in the annual budget. To ensure the capital programme remains sustainable in the long term the level of borrowing continues to be regularly monitored and any impact of a change in interest rates reported.

Financial risk management

The Council maintains a Strategic Risk Register that is reviewed quarterly by CMT and the Audit & Governance Committee. The Strategic Risk Register, was updated for May 2022 report with the Financial Risk upgraded from an Amber Risk with a score of 12, in February 2022, to a Red Risk risk with the highest possible score of 25. This financial risk is described as "The risk of the Council's expenditure exceeding the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26)." However this wasn't the risk, this was the fact as medium-term expenditure already exceeded medium-term resources by an estimated £118 million in February 2022 and interestingly, at this time, the risk was inappropriately scored as a 12 (a Probability of 3 multiplied by the Impact of 4).

The risk would be better described as a "Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to reflect key strategic outcomes and be aligned with the associated budget envelopes". The Action Plan of this risk replicates the description of the controls already in place with the additional line that "It is of critical importance to the Council and City that CMT and Cabinet select means of reducing the costs of the Council to fully mitigate the forecast budget shortfalls in future years. Until this work is completed later in 2022 the risks will remain at the current level"

There is no clear financial plan in the "Action Plan / Future Mitigation" column of the Risk Register as to how the Council may put itself on a sustainable footing and reduce its financial pressures and achieve its strategic outcomes. The Council's risk monitoring needs to better record all its key financial risks, at a more granular level rather than one overall finance risk, over the short term and medium-term; and the mitigating actions required to manage these significant financial risks.

Improvement observation 6: The Council's Strategic Risk Register needs to record significant financial risks, at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and members are clear how the Council may put itself on a sustainable footing and reduce its financial pressures and achieve its strategic outcomes.

5: identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Managing financial resilience

The budget for 2021/22 was agreed by Full Council in February 2021. Cabinet were asked to note that the budget shortfall of £7.112m could be offset by:

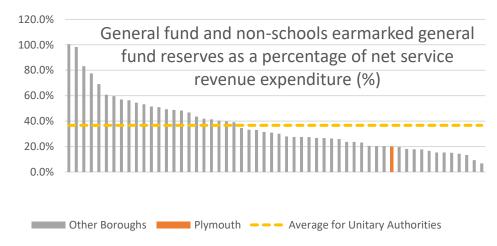
- a Council Tax increase of up to 1.99%
- an Adult Social Care (ASC) precept of up to 3%
- the use of limited local resources including a limited use of reserves.

Section 25 of the Local Government Act 2003 requires that when a local Council is making its budget calculations, the Chief Finance Officer of the Council must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

The Council's Service Director of Finance advised that a zero or nil council tax rise would financially disadvantage the Council in the short and medium term. However, this advice was not taken for both the 21/22 and the 22/23 budgets when a zero council tax rise was voted in for two years running. We have made the Key Recommendation earlier in the report that this should not be repeated for the 23/24 budget as this has cost the Council a cumulative total of some £9 million.

Level of reserves

General fund reserves should only be used for unplanned events and uncertainties in future years' budgets, whereas earmarked reserves are set aside for specific purposes where the Council has future commitments that it needs to fund.



The graph shows that Plymouth is in the bottom quartile for available general fund reserves, of only £8.044 million, at 31 March 2022, and the Council is the 43rd lowest unitary out of 53 unitaries nationally in terms of reserve levels.

For 2019/20, the average level of reserves for unitary authorities is 36.7% and the graph, to the left, shows Plymouth with less than the average at only 19.9%. At the end of the 21/22 financial year, the Council had "Other PCC Earmarked Reserves" of £22.22 million and General Fund reserves of £8.044 million. This will be even lower at the end of 2022/23, as it was recommended to Cabinet in October 2022, that reserves of £1.585 million are applied in year to offset the 2022/23 in-year overspend as these earmarked reserves are no longer required for their original purpose.

When earmarked reserves are excluded, the General Fund reserves are only at 1.99% of gross revenue expenditure, which is much lower than the Council's own target for its reserves level of 5% which was set as part of the 19/20 to20/21 Medium Term Financial Strategy. However, the Council's potential five year budget gap of over an estimated £150 million to 27/28 exceeds the Council's reserves of only £8.044 million by many, many times which shows that the Council's planned target of 5% is insufficient as the level of financial risk is great.

We recommend that a detailed reserves strategy is put in place detailing how the Council plans to increase the level of its reserves to . Although there is a budget allowance of £350k a year to top up the balance to achieve the 5% target, the level of reserves is deteriorating as there was a £350k contribution holiday in 22/23.

Improvement recommendation 7: We consider that the Council's level of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than the current planned contribution of some £350,000 a year from 23/24.



KEY Recommendation One R1: Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time.

Management comment (Nov 22)

Agreed.

Management comment (Mar 23)

The Service Director Finance presented a budget report to Cabinet on 17 January 2023. This set out the latest financial position for 2023/24 and proposed the maximum Council Tax increase of 2.99% and ASC precept of 2%. At the Full Council meeting on 27 February 2023 the Council Tax increase – the maximum before a local referendum – was agreed. Within the Revenue and Capital Budget 2023/24 report, the S151 Officer's Budget Robustness Statement stated: The statement also included advice on the consequences of not maximising the increase. There is a clear commitment to increase the council's general fund balance as part of the MTFP refresh. It will need a longer term strategy to move from the current £8.4m to hold a 5% balance against the 2023/24 resources of £218m being £10.9m



The range of recommendations that external auditors can make is explained in Appendix C.



KEY Recommendation Two R2: The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.

Management comment (Nov 22)

The 2023/24 position was presented to Council in November 2022, which is the earliest available opportunity to match savings with the funding gap. The funding gap has been discussed since early July 2022 with cabinet members and the public have been notified of the scale of the deficit. It is difficult to maintain a meaningful MTFP when central government have been giving one-year settlements.

Management comment (Mar 23)

A further update was presented to Cabinet on 17 January and this will be presented to Scrutiny for discussion and debate in January. A recommendation from Scrutiny is: a) that a three year Medium Term Financial Plan is prepared and considered at Full Council in September. This reflects similar recommendations made through the LGA corporate peer challenge and external auditors report. In response, the Section 151 Officer agreed to undertake a review of the MTFS and will submit for consideration to Council in September 2023. The budget for 2023/24 has taken account of the latest inflationary and energy price increases, and includes additional budget allocations for key areas such as social care (both adults and children) and the Place Directorate. The Budget Report includes Section 1 – Helping Plymouth Build Back Better which sets out the four key priorities. There is also a Directorate Summary section setting out the costs and services for the delivery of over 300 vital services. The S151 Officer is proposing the development of a 5 year MTFP.



The range of recommendations that external auditors can make is explained in Appendix C.



KEY Recommendation Three R3: The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.

Management comment (Nov 22) An interim has been appointed, starting 16th November until March 2023

Management comment (Mar 23)

The interim was appointed and has been supporting the council's in year and future years budget planning.



The range of recommendations that external auditors can make is explained in Appendix C.



Improvement Recommendation

R4: The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

Management comment (Nov 22)

The savings proposals listed in the 2023/24 budget show this, with sustainable savings and difficult decisions. There will always be some element of one-off savings; we are working to minimise these.

Management comment (Mar 23)

The full list of savings proposals were published in the budget report for Cabinet on 17 January 2023 and approved by Full Council in February 2023. The size of the shortfall between anticipated resources and financial commitments for the coming year has been considerable, and a disciplined approach to achieving a balanced budget whilst maintaining delivery against the Council's agreed priorities has been necessary. Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. As part of the budget setting, it has been a major consideration to implement sustainable and recurring savings, reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings however the ratio of such savings as part of the £23m is at an acceptable level. A plan to further reduce reliance will form a key strand of the new MTFP.



The range of recommendations that external auditors can make is explained in Appendix C.



Improvement

R5: The Council's annual financial budget needs to be clearly aligned to activity **Recommendation** plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

Management comment (Nov 22)

We do ensure the budgets are aligned to our outcomes.

Management comment (Mar 23)

The approach to balance the budget has been informed by a clear focus on agreed priorities, the delivery of measures to increase efficiency, maximising income opportunities where appropriate and changing our systems, processes and structures to improve the way we deliver services.



The range of recommendations that external auditors can make is explained in Appendix C.

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Improvement

R6: The Council's Strategic Risk Register needs to record significant financial risks, Recommendation at a more granular level, over the short and medium-term. The mitigating actions to manage these risks need to be recorded in the "Action Plan / Future Mitigation" column of the Risk Register (which currently replicates the controls in place) so that Officers and Members are clear how the Council may put itself on a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.

Managemen
comment
(Nov 22)

We have requested further detail on "granular level".

Management comment (Mar 23)

An updated risk register was submitted to the Audit and Governance Committee on 16 January 23. Risk Number one in table one relates to the Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period, and Risk number two relates to possible failure to meet statutory duties due to growing volume and complexity of demand for children's social care services. The mitigations are set out in detail.



The range of recommendations that external auditors can make is explained in Appendix C.

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Improvement Recommendation

R7: The Council's levels of reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

Management comment (Nov 22)

We had a plan to increase by £350,000 p.a. but this is difficult in the current financial climate. We have asked for clarification on what level would be sufficient.

Management comment (Mar 23)

The S151 Officer has had a follow up discussion on this issue with the external auditors. The updated MTFP will be made available to Full Council in September 2023 and will include a clear strategy and ongoing commitment to increasing the Working Balance.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance

How the body ensures that it makes informed decisions and properly manages its risks



We considered how the Council:

<u>Gov 1</u>: monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

<u>Gov 2</u>: approaches and carries out its annual budget setting process;

<u>Gov 3:</u> ensures effectiveness processes and systems are in place to ensure budgetary control;

Gov 4: ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;

<u>Gov 5</u>: monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Summary on Governance

Our work for the 2020/21 and the 2021/22 financial years focussed on developing a detailed understanding of the governance arrangements in place at the Council as we had identified a significant risk around governance in our 20/21 audit plan given the governance issues that arose in 19/20. We have since found that the issues arising from our 2021 July Governance review have been adequately resolved with new procedures put in place. Our 19/20 Audit Report, presented to the Audit & Governance Committee on 28th September 2022, details the improvements made.

Plymouth has adequate risk management processes and procedures in place for 20/21 and 22/23, although these are currently being reviewed to better embed risk management throughout the Council. As we have seen from the Financial Sustainability section in this report, key critical decisions need to be made to stop the further deterioration of the Council's financial position. The Council's Risk Register does not sufficiently document the Council's financial risk nor the mitigating actions being taken to manage that risk.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it makes informed decisions and properly manages its risks, with the exception of the Council's financial risks. We have identified four opportunities for improvement, as follows:

Governance improvement recommendations:

- R8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.
- R9: Given the financial challenges faced by the Council we recommend that a more granular level of information by
 cost centre is included in the monthly finance monitoring reports so that senior officers and members may see the level
 of variances at an activity level which will better inform their decision making around services.
- R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, in the CIPFA Financial management Code, produce a robust action plan with SMART targets to achieve full compliance by the deadline of March 23 and reports this to the Audit & Governance Committee.

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Gov 1: How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

Risk management

The Council has a Risk and Opportunity Strategy 2020 – 2022 which was approved by the Council's Audit & Governance (A&G) Committee in November 2020. This Committee is currently responsible for reviewing the Council's Strategic Risk Register at each of its meetings. The Strategic Risk Register include a description of the risk, mitigating actions, and a RAG rated risk score derived from the probability and impact of the risk occurring both before and after the mitigating actions are taken into account. A risk owner is assigned to each risk.

There were 22 strategic risks on the Risk Register in March 2022. This is a large number of risks for the A&G Committee to review. It is also the role of the Committee to provide assurance to Cabinet over the effectiveness of the Council's Risk Management process rather than deep dive into individual risks. The scrutiny function is delivered through four overview and scrutiny committees and the main aim of scrutiny is to act as a 'critical friend' to the Cabinet and other decision makers, to promote better services, policies and decisions. We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members decisions making.

Improvement recommendation 8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

The Strategic Risk Register is supported by registers for each Directorate and these are discussed regularly at Directorate management Team meetings. In September 22, the Council is using Gallagher and Bassett, its Insurance Risk Advisors, to review the Council's risk management process and provide further training for the Departmental Risk Management Champions, as the Council needs to better embed risk management throughout its structures. The LGA Corporate Peer Challenge Review Report, of February 2022, stated that the Council should "Promote and embed risk awareness across the organisation and continue to address and report progress against key financial risks and external audit requirements".

Internal control

In 2020/21 and 21/22, Internal Audit reported to each meeting of the G&A Committee and provided an annual report and opinion, update reports and internal audit plans. The Committee also approved the Internal Audit Charter and Strategy. Sufficient work was undertaken to enable the Head of Internal Audit to provide a 'reasonable assurance' opinion in both financial years.

The Council had the following policies to prevent and detect fraud:

- Anti-fraud and corruption strategy; and
- Whistle-blowing

Anti-fraud work and investigations were undertaken by the Council's proactive Counter Fraud Service. The annual and half yearly report of the CFS provides updates on both anti-fraud and corruption strategy and the whistle-blowing policy

From our work we have found no areas of weakness in the management and reporting on internal control and the prevention and detection of fraud.

Gov 2: How the Council approaches and carries out its annual budget setting process;

Budget setting

Under the Council's Constitution, Cabinet is required to recommend the annual revenue and capital budget to Council in February each year as well as the Capital Financing and Treasury Management Strategy. The Cabinet report:

- · summarises the impact of the provisional Local Government Finance Settlement on the budget;
- sets out revenue budget planning assumptions in respect of income, approved savings plans and resource requirements;
- summarises cost pressures and mitigations in respect of the COVID-19 pandemic;
- sets out the Capital budget, Capital financing strategy and the treasury management strategy for 2021/22;
- itemises the Council's response to its agreed recovery and renewal priorities and objectives durife 2021/22; and

N

• sets out the Cabinet's response to the Budget Scrutiny Select Committee's recommendations relating to the 2021/22 budget.

Public engagement

In December 2021, this year's budget engagement exercise "Help us prioritise Plymouth's pounds" yielded a high level of response from its stakeholders compared to previous years. Listening to Plymouth residents is a high priority for the Council and it received valuable feedback.

Budget Engagement



The Council recognises that setting the budget does not mean the work is over as financial pressures continue to provide a challenge and it will need to deliver savings plans and continue to transform how it operates to reduce costs.

Gov 3: How the Council ensures effectiveness processes and systems are in place to ensure budgetary control;

Budget monitoring

The Council operated a formal corporate revenue and capital monitoring process during the 20/21 and the 21/22 financial years. Monthly budget monitoring reports were presented to the Overview & Scrutiny Committees and Cabinet. Variances at a departmental level are also reported, as shown below:

Monthly finance report to Cabinet - October 2021

Directorate	Budget £m	Forecast £m	COVID offset £m	Forecast Net Variance £m	Status
Executive Office	5.429	5.694	(0.245)	0.020	over
Customer and Corporate Services	44.031	45.850	(1.164)	0.655	over
Children's Directorate	53.047	61.865	(8.404)	0.414	over
People Directorate	89.441	93.018	(3.577)	0.000	on budget
ODPH	(0.537)	(0.730)	(0.134)	(0.327)	under
Place Directorate	24.976	28.830	(3.733)	0.121	over
Corporate Items	(20.846)	(38.103)	17.257	0.000	on budget
Total	195.541	196.424	0.000	0.883	over

As a senior manager or member the above £883k forecast variance in year compared to net expenditure of £195.541 million may not give much cause for concern. Explanation for variances are reported but at a high level so that any relevant non-financial information, such as service activity and workforce information, is not sufficiently included in the financial reports to Cabinet.

Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly monitoring reports so that service directors and managers are held accountable for financial performance and members may see the level of variances at an activity level to better inform their decision making.

Improvement recommendation 9: Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly finance monitoring reports so that members may see the level of variances at an activity level which will better inform their decision making around services.

Gov 4: How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency;

Informed decision making

In addition to decision-making committees, the Council also has four overview and scrutiny committees for different directorates, to ensure that decisions are subject to adequate challenge and review prior to being taken. The Council's committees make use of various report templates which are structured in such a way to ensure that relevant considerations and impacts are made, depending on the type of decision required.

2022/23 was the first year of implementation of the CIPFA Financial Management Code (FM Code), with local authorities being required to demonstrate progress towards compliance by 31 March 2023. In comparison to some other councils, there has no reporting to members with regard to the Plymouth's compliance with the FM Code or of actions required to move the Council towards full compliance as is required in 22/23.

CIPFA Financial Management Code Principles

The following FM Code principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management a local Council is financially sustainable:

- Organisational leadership demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
- Accountability based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management process and is evidenced by prudent use of public resources.

Source: The CIPFA Financial Management Code

CIPFA expects that compliance with the FM Code will typically be achieved by documenting compliance with the Statements of Standard Practice that underpin each of the Financial Management Standards. Given the Council's critical financial position we think this will be a constructive exercise in identifying areas, including leadership at the top, where financial management processes and procedures and subsequent decision making may be improved.

We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Improvement observation 10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, in the CIPFA Financial Management Code, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Gov 5: How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Monitoring Standards

The 20/21 and 21/22 Annual Governance Statement are compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks. The Council's constitution has a section relating to Codes and Protocols which sets out general behaviour and principles expected of members and officers. This appears to be consistent with expectations observed across the sector.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we are not aware of any instances where officers or elected members have not complied with the necessary standards and no evidence of significant non-compliance has been identified, with the exception of the MIEL transaction and the Interest Rate Swap transactions which we reported on as part of our 2019/20 Value for Money Conclusion. The outcome of our Governance Review was reported to the July 2021 Audit & Governance Committee and we have since seen that the Council has implemented appropriate actions in response to the 11 recommendations .



Improvement Recommendation

R8: We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

Management comment (Nov 22)

We are undertaking a review of our scrutiny arrangements.

Management comment (March 23) The recommendation is noted. As previously stated, we are undertaking a review of our scrutiny arrangements and this will form part of the discussion.



The range of recommendations that external auditors can make is explained in Appendix C.



Improvement

R9: Given the financial challenges faced by the Council we recommend Recommendation that a more granular level of information by cost centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.

Management comment (Nov 22)

We are always open to suggestions to better inform and report. However, we have to be mindful of too much detail. Best practice is sought.

Management comment (March 23)

The S151 Officer has been reviewing the financial monitoring reports of other unitary authorities. It is considered that the current level of transparency within the monthly finance monitoring report meets the requirements of Cabinet and Scrutiny, with the quarterly reports being noted at Full Council. The Management Scrutiny Board have requested changes to the report format, particularly given the unprecedented pressures of the financial year 2022/23. The S151 Officer is open to discussions with the Administration when known in May on any further improvements or additional information. It should be noted that the reporting process is more than just the public facing reports which are published.



The range of recommendations that external auditors can make is explained in Appendix C.

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Improvement Recommendation

R10: We recommend that the Council carries out a self-assessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

Management comment (Nov 22)

We have asked for clarification.

Management comment (March 23) The S151 Officer has reviewed the Code and will ensure a self-assessment is undertaken this month (March 2023) and update further.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness (3Es)

How the body uses information about its costs and performance to improve the way it manages and delivers its services



We considered how the Council:

- 3Es 1: uses financial and performance information to assess performance to identify areas for improvement;
- <u>3Es 2</u>: evaluates the services it provides to assess performance and identify areas for improvement;
- 3Es 3: ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve;
- 3Es 4: ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Summary on "Improving economy, efficiency and effectiveness"

The Council's ambition, community engagement and effective partnership working commendably earned it the national 2021 "Council of the Year" award as judged by the Municipal Journal. Judges described Plymouth as "a local Council that has put culture-led regeneration and a sense of place at its heart, one that is determined to put its city on the map for all the right reasons and where political and officer leadership is genuinely a single voice for the benefit of all residents". The judges added "Pride in the City leaps off the pages of Plymouth's submission. It has taken a novel approach to putting the city on the map as Britain's Ocean City. The Council is clearly ambitious, strongly engaged in its communities and is working well with partners on key agendas."

However, as discussed in the Financial Sustainability section of this report, the ambition is not matched by the Council's current available resources to continue this journey without a critical review of the Council's short, medium and long-term finances. The Council needs to continue to transform its service delivery but savings and financial sustainability are increasingly harder to attain as, in April 2020, the Council moved into its seventh year of its transformation journey which appears to have enabled the Council to deliver over £108m of budget savings and efficiencies.

As part of its journey, the Council still needs to effectively use benchmarking and data quality assurance to better understand the information about its costs and performance to improve the way it manages and delivers its services.

Conclusion

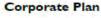
Overall, we are satisfied the Council has appropriate arrangements in place to ensure economy, efficiency and effectiveness in its use of resources. We have identified no significant weaknesses and three opportunities for improvement, as set out below Improving economy, efficiency and effectiveness – Improvement recommendations:

- R11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data
 required to support good decision making, including an independent assessment and assurance around data quality.
- R12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.
- R13: The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.
- R14: The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

3Es 1: The Council uses financial and performance information to assess performance to identify areas for improvement;

Performance management

The Council set out its vision and priorities within its Corporate Plan 2021 to 2025, which aligns to the Plymouth Plan 2014 – 2034 which sets the visions for the City for the Council and its partners.



The Corporate Plan 2016 to 2019 sets out our vision to be 'one team serving our city' and retains our ambition to be a Pioneering, Growing, Caring and Confident City.

OUR PLAN A CITY TO BE PROUD OF





One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.

OUR MISSION Making Plymouth a fairer city, where everyone does their bit.

OUR VALUES



WEARE
RESPONSIBLE
WHITE TO COMPANY THE COMPANY OF T

WE ARE FAIR
We are honest and open it how we are treat everyon with respect, disrepton fairness and create opportunities.

WE ARE
CO-OPERATIVE
We will work register with partners to serve the best increased of our city and inscommunities.

OUR PRIORITIES



A CARING COUNCIL
Improved schools where pupps schools
Extra passcores
Roop children, youing people and
Adult preference
Fecus on prevention led durly intercented
People find fully increased.
Reduced health increases.

A wildnessing care.

HOW WE WILL DELIVER

Listening to our customers and communities.

Plymouth

Providing quality public services.

Motivated, skilled and ongagod staff. Spending mone

A strong voice for Plymouth regionally and nationally

www.plymouth.gov.uk/ourplar

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Quarterly performance reports are presented to CMT and Cabinet. These reports included an assessment of performance against the Corporate Plan commitments and operational performance. Performance is reviewed by the Cabinet in a public meeting to facilitate openness and transparency and to enable public scrutiny.

The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform the Council on how they are doing in delivering what they have set out to achieve in the Corporate Plan.

The Council has continued to transform how it delivers services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with its partners and maximising the opportunities from digital technology. In difficult financial circumstances the Council continued to deliver core services. The COVID-19 pandemic has had far reaching impacts across all services, including the ability for the Council to report on performance against some indicators.

Data quality

The Council obtains its performance information from a range of sources and gains some assurance over the accuracy of data it uses by regular engagement of finance business partners with their service areas around spend/in-year budget forecasts and regular reporting of financial matters to Departmental Management teams, CMT and Cabinet

However, the Council does not have a data quality strategy which could give it more comfort over the accuracy of its performance reporting. The Data Quality Strategy could include:

- definition of data quality objectives and why they are important;
- roles and responsibilities, including members and officers;
- monitoring of quality through independent review; and
- arrangements for data sharing.

Improvement observation 11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

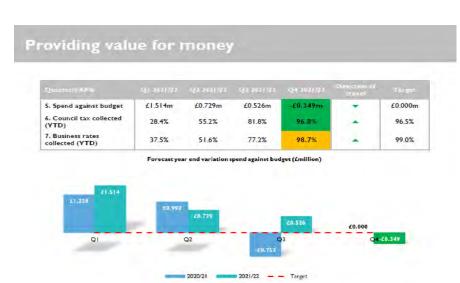
3Es 2: The Council evaluates the services it provides to assess performance and identify areas for improvement;

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can identify areas for improvement and also provide targets to work towards. The Council does not appear to promote participation in formal benchmarking across its services, nor does it use it as a comparison in its formal quarterly performance reports. It may be used as part of business cases at a departmental level, however it is not part of the formal reporting of performance against corporate plan targets to the Cabinet

Currently the Corporate Performance Report only lists three Value for Money indicators which aren't really as VFM indicators, as they do not show the effectiveness of service delivery compared to the input expenditure. The Council's VFM indicators (shown below) are currently:

- spend against budget
- Council Tax collected (YTD) and
- Business rates Collected (YTD)

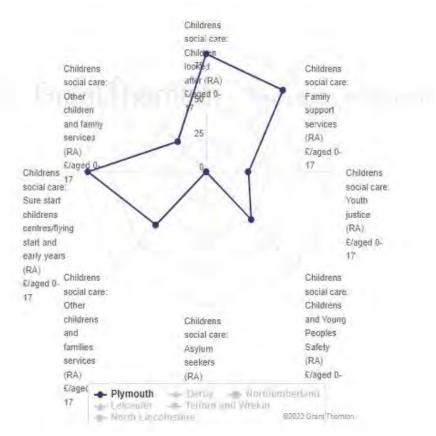


Inaepenaent penchmarking was unaertaken as part of our VTMI work. We used the CIPFA and GT management tool 'CFO Insights' and compared the national units costs for a range of services, as reported to central government in the Revenue Outturn (RO) reports. This identified two areas where the unit costs for Plymouth were high in comparison to other unitary councils:

- · Children's social care see diagram on the right;
- Cultural and Related Services, which unsurprisingly showed the high level of spend on tourism.

The chart below illustrate the areas of spend that have contributed to these high unit costs eg Children's Services and Cultural Services. Whilst, these benchmarks are only able to provide an indication of where costs are high, they do provide an indication of where further exploration of these costs could identify potential efficiencies and savings for the Council.

CHILDREN'S SOCIAL CARE



Improvement observation 12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.

<u>3Es 3: The Council ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve;</u>

Partnerships

Since 2014, Plymouth City Council has led the development and implementation of the Plymouth Plan, a ground-breaking city plan which looks ahead to 2034. Since its inception, the Plymouth Plan has set out a shared direction of travel for the long-term future of the city of Plymouth. Plymouth City Council provides overall management and co-ordination of the Plymouth Plan, and the council and all its partners are responsible for its delivery.

One of Europe's most vibrant waterfront cities where an PLYMOUTH outstanding quality of life is enjoyed by everyone WHAT WE WANT TO ACHIEVE ... HEALTHY GROWING LEADING INTERNATIONAL CITY CITY CITY CITY A city fulfilling its strategic People live in happy, healthy, A city which has used its Plymouth is internationally safe and aspiring strengths to deliver quality role as a major economic renowned as the UK's driver for the heart of communities and sustainable growth premier marine city, and the South West famous for its waterfront, maritime heritage and culture. HOW WILL WE KNOW WE'RE SUCCESSFUL? People get the best start Plymouth is recognised as Plymouth's population Plymouth offers a diverse. to life, enjoy a better quality a key regional economic has grown to more than cultural experience with a of life and increased life 300,000 major events programme expectancy More people are taking Plymouth has high quality Plymouth continues to be Plymouth is internationally care of themselves or renowned as a leading UK strategic services and recognised as a leading finding care within their lourist destination facilities Green City community The quality and resilience Plymouth is recognised Plymouth has more More residents are of Plymouth's transpare internationally for marine vibrant, productive and contributing to and involved and digital connectivity science and high innovative businesses in their community has improved technology manufacturing. People have the skills to Plymouth's strategic. There is good quality health Plymouth has a reputation. defence role has been and social care for people for would class univ safeguarded and to meet the needs who need it and research institutions strengthened of the city Plymouth has a reputation Plymouth's stunning setting Plymouth has good quality Plymouth has the right as a welcoming and and natural assets have neighbourhoods where environment for growth multicultural city with been entranced people feel safe and happy and investment diverse communities

The Council's Business Plan 2018-2022 identifies where partners contribute to the Council's objectives and has named a number of specific partnerships. The governance relating to these partnerships is varied and depends on the nature of the partnership. Those partnerships that the Council considers to be of greatest importance will have member involvement.



These arrangements are not dissimilar to other councils, but we have found is that an increasing number of councils are defining their significant partnerships in registers where the contribution that individual partnerships make to the council's corporate objectives can be evaluated and documented. Plymouth has a list of partnerships but there is no information on governance and expected outcomes. This is important as partnership outcomes needs to be measured. For example, Devon and Plymouth were rated as "SOF4" (the lowest score for the NHS System Oversight Framework 21/22) by NHSE through the performance of its NHS Trusts; and this is rare, with one of the key problems being the progress on the integration between health and social care.

The Council was particularly successful in its response to COVID 19 as it was able to draw upon its status as a trusted partner, building on a foundation of strong relationships developed over many years and political administrations. It is now important that the council allows time and space to consciously capture the learning from what worked well during these challenging times – especially in terms of the positive relationships we saw across the health and social care sector, to support a more resilient and sustainable future.

We have not identified any significant weaknesses in the Council's partnership arrangements, however we consider that the Council would benefit from defining its significant partnerships and developing a register that identifies the contribution that the partnerships makes to the Council's corporate objectives.

Improvement observation 13: The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.

3Es 4: The Council ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Procurement and contract management

Whenever money is being spent with an external provider, staff are required to follow the Council's mandatory contract procedure rules, documented in the Council's Constitution, to ensure that relevant legislation is complied with, and professional standards and internal polices are complied with.

The Council has a Head of Procurement to advise officers on procurement policies and procedures. The Procurement Service team specialises in procurements in Construction, Facilities Management, Professional Services and Environment and Transport. The Council's Strategic Co-operative Commissioning Team specialises in procurements in social care and healthcare.

The Council also complies with the Public Services (Social Value) Act and applies Social Value evaluation weightings between 5% and 25% of the total evaluation weighting. Implementing and embedding Social Value at a local level involves making commissioning and procurement decisions in a new way that ensures wider benefits are considered throughout the commissioning cycle and how this links to the strategic themes and policy areas within the Plymouth Plan.

Monitoring of contracts

Arrangements are in place to monitor performance of sub-contractors as part of the monitoring of budgets and Key Performance Indicators through the departmental and corporate performance monitoring procedures. In terms of securing grant funding for capital contracts. officers will remain proactive at securing external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city.

Procurement strategy

The Council does not have a procurement strategy although it does have a comprehensive procurement section on the Council's website detailing procurement rules, regulations & details of its E-Procurement System for its suppliers. A procurement strategy would enable the Council to better document its spending goals and objectives, legislative changes, the role and effectiveness of the

procurement function, the complexity of procurement carried out and the dynamics of the supply chain and markets. Importantly the Strategy could include strategic initiatives to further improve its procurement practices through better analysis of spend, budget and risk.

Improvement observation 14; The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.





Improving economy, efficiency and effectiveness

Improvement recommendation

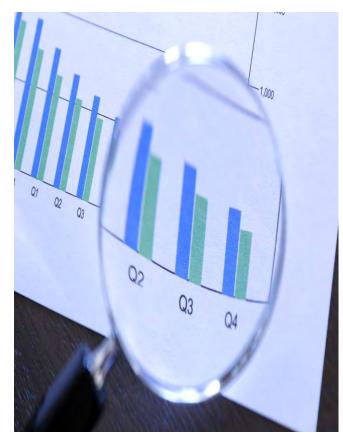
R11: The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

Management comment (Nov 22)

Management will consider this recommendation.

Management comment (Mar 23)

As part of the Finance restructure which went live 1st December 2022, a new post was created for a Service Accountant within the Corporate Accountancy team. This role will provide the link between finance and the systems team to ensure data accuracy and provide resource for system updates and changes. There is a CMT lead on data quality – following this recommendation the S151 Officer will ensure dialogue at CMT. For example the idea of strengthening the use of data and evidence in decision making is a part of the health determinant research collaboration, where PCC has been awarded grant funding to progress. We do have a strong governance in place around, for example, the level of detail within financial information provided to Cabinet, and therefore published to the public, as well as full transparency for all scrutiny committees and Full Council.



The range of recommendations that external auditors can make is explained in Appendix C.



Improving economy, efficiency and effectiveness

Improvement recommendation

R12: The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.

Management comment (Nov 22)

Management will consider this recommendation.

Management comment (Mar 23)

As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of expenditure – adult and children's social care; waste collection as examples. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.



The range of recommendations that external auditors can make is explained in Appendix C.



Improving economy, efficiency and effectiveness

Improvement Recommendation

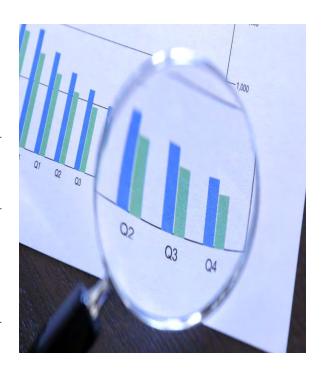
R13: The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.

Management
comment
(Nov 22)

Management will consider this recommendation.

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The Corporate Management Team recently undertook a desktop review of the "Family of Companies" looking at ownership; responsibilities and contribution to PCC. The Strategic Director for Customer & Corporate Services has an action to further review and advise.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation

R14: The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

Management
comment
(Nov 22)

Management will consider this recommendation.

Management comment (Mar 23)

PCC do not have a procurement strategy, however Procurement will be refreshing the Council's Contract Standing Orders as part of the wider constitutional review being undertaken by the Monitoring Officer. This refresh will look to make improvements across all aspects of Procurement including rules, policies and procedures. Work is currently underway.



The range of recommendations that external auditors can make is explained in Appendix C.

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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No. Recommendation

Management response



Financial Sustainability

KEY Recommendation One

Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time

The Service Director Finance presented a budget report to Cabinet on 17 January 2023. This set out the latest financial position for 2023/24 and proposed the maximum Council Tax increase of 2.99% and ASC precept of 2%. At the Full Council meeting on 27 February 2023 the Council Tax increase – the maximum before a local referendum – was agreed. Within the Revenue and Capital Budget 2023/24 report, the S151 Officer's Budget Robustness Statement stated: The statement also included advice on the consequences of not maximising the increase. There is a clear commitment to increase the council's general fund balance as part of the MTFP refresh. It will need a longer term strategy to move from the current £8.4m to hold a 5% balance against the 2023/24 resources of £218m being £10.9m

KEY Recommendation Two

The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.

A further update was presented to Cabinet on 17 January and this will be presented to Scrutiny for discussion and debate in January. A recommendation from Scrutiny is: a) that a three year Medium Term Financial Plan is prepared and considered at Full Council in September. This reflects similar recommendations made through the LGA corporate peer challenge and external auditors report. In response, the Section 151 Officer agreed to undertake a review of the MTFS and will submit for consideration to Council in September 2023. The budget for 2023/24 has taken account of the latest inflationary and energy price increases, and includes additional budget allocations for key areas such as social care (both adults and children) and the Place Directorate. The Budget Report includes Section 1 – Helping Plymouth Build Back Better which sets out the four key priorities. There is also a Directorate Summary section setting out the costs and services for the delivery of over 300 vital services. The S151 Officer is proposing the development of a 5 year MTFP.

KEY Recommendation Three

The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.

The interim was appointed and has been supporting the Council's in year and future years budget planning.

Page 38

No. Recommendation

Management response



Financial Sustainability (continued)

The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.

The full list of savings proposals were published in the budget report for Cabinet on 17 January 2023 and approved by Full Council in February 2023. The size of the shortfall between anticipated resources and financial commitments for the coming year has been considerable, and a disciplined approach to achieving a balanced budget whilst maintaining delivery against the Council's agreed priorities has been necessary. Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. As part of the budget setting, it has been a major consideration to implement sustainable and recurring savings, reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings however the ratio of such savings as part of the £23m is at an acceptable level. A plan to further reduce reliance will form a key strand of the new MTFP.

The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.

The approach to balance the budget has been informed by a clear focus on agreed priorities, the delivery of measures to increase efficiency, maximising income opportunities where appropriate and changing our systems, processes and structures to improve the way we deliver services.

The Council's Strategic Risk Register needs to record significant financial risks at a more granular level, over the short and medium term. The mitigating actions to manage these risks need to be recorded in the Action Plan / Future Mitigation column of the Risk Register which currently replicates the controls in place, so that officers and Members are clear how the council may put itself in a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes

An updated risk register was submitted to the Audit and Governance Committee on 16 January 23. Risk Number one in table one relates to the Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period, and Risk number two relates to possible failure to meet statutory duties due to growing volume and complexity of demand for children's social care services. The mitigations are set out in detail.

Recommendation No.

Management response

The Council's levels of reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.

The S151 Officer has had a follow up discussion on this issue with the external auditors. The updated MTFP will be made available to Full Council in September 2023 and will include a clear strategy and ongoing commitment to increasing the Working Balance.



8

7

Governance

annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.

We recommend that the Strategic Risk Register informs the The recommendation is noted. As previously stated, we are undertaking a review of our scrutiny arrangements and this will form part of the discussion.

Given the financial challenges faced by the Council we recommend that a more granular level of information by 9 cost centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.

The S151 Officer has been reviewing the financial monitoring reports of other unitary authorities. It is considered that the current level of transparency within the monthly finance monitoring report meets the requirements of Cabinet and Scrutiny, with the quarterly reports being noted at Full Council. The Management Scrutiny Board have requested changes to the report format, particularly given the unprecedented pressures of the financial year 2022/23. The S151 Officer is open to discussions with the Administration when known in May on any further improvements or additional information. It should be noted that the reporting process is more than just the public facing reports which are published.

We recommend that the Council carries out a selfassessment against the CIPFA Financial Standards, produces a robust action plan with SMART targets to achieve full compliance by the deadline and reports this to the Audit & Governance Committee.

The S151 Officer has reviewed the Code and will ensure a self-assessment is undertaken this month (March 2023) and update further.

10

Recommendation No.

Management response



Improving economy, efficiency and effectiveness

The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.

As part of the Finance restructure which went live 1st December 2022, a new post was created for a Service Accountant within the Corporate Accountancy team. This role will provide the link between finance and the systems team to ensure data accuracy and provide resource for system updates and changes. There is a CMT lead on data quality – following this recommendation the S151 Officer will ensure dialogue at CMT. For example the idea of strengthening the use of data and evidence in decision making is a part of the health determinant research collaboration, where PCC has been awarded grant funding to progress. We do have a strong governance in place around, for example, the level of detail within financial information provided to Cabinet, and therefore published to the public, as well as full transparency for all scrutiny committees and Full Council

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The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.

PCC do not have a procurement strategy, however Procurement will be refreshing the Council's Contract Standing Orders as part of the wider constitutional review being undertaken by the Monitoring Officer. This refresh will look to make improvements across all aspects of Procurement including rules, policies and procedures. Work is currently underway.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference	
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	NO		Page 42
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	YES - three	• Financial sustainability - page 8	N
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	YES - eleven	 Financial sustainability - pages 8 - 9 Governance - page 20 Economy, efficiency and effectiveness page 27 	_

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Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not make a statutory recommendation

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review



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Audit and Governance Committee



Date of meeting: 20 March 2023

Title of Report: Updated Whistleblowing Policy

Lead Member: Councillor James Stoneman (Cabinet Member for Climate Change and

Governance)

Lead Strategic Director: Giles Perritt (Assistant Chief Executive)

Author: Emma Jackman

Contact Email: <u>Emma.jackman@plymouth.gov.uk</u>

Your Reference: Click here to enter text.

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

To seek approval to the amendments to the policy. Proposed changes are for clarity and do not change any fundamentals of the policy.

Recommendations and Reasons

That Committee note and approve the changes in the appended Whistleblowing Policy.

Reasons:

To ensure that the policy reflects best practice and is clear as to its application. Given the policy is based on specific statutory legislative protection for employees there needed to be clarification as to the extent to which aspects of it applied solely to employees as opposed to other persons.

Alternative options considered and rejected

None. The Authority needs to maintain and promote the Whistleblowing Policy to comply with best practice and to ensure a high level of awareness of, and confidence in, the Council's whistleblowing arrangements

Relevance to the Corporate Plan and/or the Plymouth Plan

The Whistleblowing Policy supports the Council's values through the promotion of good governance and can play an important role in deterring and detecting malpractice, maintaining public trust and, delivering the Council's ambitions to being democratic, responsible and fair.

Implications for the Medium Term Financial Plan and Resource Implications:

None.

Financial Risks

None.

Carbon Footprint (Environmental) Implications:

None.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

None.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	If some	nption all of the s not for p ocal Gove	informat oublication	ion is con n by virtu	fidential, e of Part	yoù must Lof Sched	dule 12A
		ı	2	3	4	5	6	7
Α	Briefing Report							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exem	otion P	aragra	ph Nun	nber (if	applicab	ole)
	is not for	publicatio	n by virtue	is confiden of Part I o ing the rele	f Schedule		cate why it the Local
	ı	2	3	4	5	6	
Audit Governance Report – Whistleblowing Policy (item 30)							
EIA as appended to the Audit Governance Report – Whistleblowing Policy (item 30)							
Audit & Governance minute for item 30, meeting of 29 September 2022							

Sign off:

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	enter text.		1)		enter text.		enter text.		enter text.		

Originating Senior Leadership Team member: Giles Perritt

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 16/03/2023



WHISTLEBLOWING POLICY

Devon Audit Partnership - August 2022



Changes

August 2021: Reviewed and updated to include reference to Modern Slavery

March 2023: Reviewed and updated to provide clarity

Policies are available in large print, Braille or other languages

If you would like help understanding the contents of this policy, please speak to your line manager or contact the HR Policy Team for assistance.

WHISTLEBLOWING POLICY

CONTENTS

I.	Policy Statement	Page 3
2.	Scope and aims of the Policy	Page 3
3.	Safeguards	Page 5
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5.	How the Council will respond	Page 6
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WHISTLEBLOWING POLICY

I. POLICY STATEMENT

- 1.1 Plymouth City Council is committed to the highest possible standards of honesty, openness and accountability in public life.
- 1.2 All organisations face the risk of things going wrong or of unknowingly harbouring malpractice. This Policy has been developed in accordance with the provisions of the Employment Rights Act 1996, as amended by the <u>Public Interest Disclosure Act 1998</u>. It is also supplemental to and supports the Council's <u>Anti-Fraud</u>, <u>Bribery and Corruption Policy</u>. It also is part of the Council's role in identifying and taking measures to remedy all malpractice, particularly regarding issues of fraud and corruption.
- 1.3 We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We welcome all genuine concerns and will treat your issues seriously this policy explains how to raise a concern, the types of activity you should report, the protection we can provide, confidentiality, our response and how you can take matters further, if necessary.
- 1.4 By promoting a culture of openness within the Council, we want to encourage individuals to feel confident and come forward to raise both disclosures and serious allegations of wrongdoing; this may involve the actions of the Council's employees, its Councillors, contractors or any aspect of the Council's activities. Disclosures can be made through established internal channels, without fear of victimisation, detriment or risk to job security

2. SCOPE AND AIMS OF THE POLICY

Aims:

- 2.1 The policy sets out the procedure via which the Council will deal with a whistleblowing complaint and, where the complainant is an employee, the measures in place to ensure the protection due to them under the Employment Rights Act 1996.
- 2.2 A whistleblowing complaint is the disclosure of information which relates to suspected wrongdoing or dangers at work within the Council. This may include:
 - (a) criminal activity;
 - (b) failure to comply with any legal or professional obligation [or regulatory requirements];
 - (c) miscarriages of justice;
 - (d) danger to health and safety;
 - (e) damage to the environment;
 - (f) bribery and/or corruption;
 - (g) financial fraud or mismanagement;
 - (h) conduct likely to damage our reputation or financial wellbeing;

- (i) unauthorised disclosure of confidential information;
- (j) negligence;
- (k) the deliberate concealment of any of the above matters.

2.3 The Policy aims to:

- (a) Provide the framework for employees to feel that there are protections in place for them and the reassurance that there will be protection from reprisals or victimisation for employees who raise a whistleblowing complaint in good faith in accordance with this procedure.
- (b) Ensure employees, and all other persons to feel confident in raising that when they wish to raise concerns there is a process in place under which they will be dealt with;
- (c) Provide avenues for employees to raise these concerns and receive feedback on any action taken;
- (d) Set out a procedure by which the matter can be taken further where there is dissatisfaction with the Council's response.

Scope

- 2.4 This whistleblowing policy applies to all employees wishing to raise a whistleblowing complaint.
- 2.5 UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be in the public interest. In addition to the employer's liability, the individual who subjects the employee to such treatment may also be held personally liable.
- 2.6 Whilst the process for dealing with complaints in this policy apply to any person raising a whistleblowing complaint, where allegations are raised by other individuals who are not direct employees (including, councillors, agency workers, consultants, contractors, sub-contractors) the protection measures within this will not apply.
- 2.7 Although the Council will endeavor to provide appropriate advice and support wherever possible in this eventuality, it is recommended that advice is sought from a trade union representative or from Protect (formerly Public Concern at Work) an independent charity set up to provide advice and guidance about whistleblowing issues. Contact details for Protect are given in Section 10 below.
- 2.8 This policy does not replace:
 - (a) Our existing **Grievance Resolution Policy and Procedure**.

You should use these policies if you have a personal grievance or are unhappy with the way you are being treated. This includes harassment, discrimination or unfair treatment as a result of a protected characteristic under the <u>Equality Act 2010</u>. The Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance or complaint once you have exhausted the relevant employment procedures.

(b) Corporate Complaints Procedure

Individuals wishing to bring a complaint about the delivery of a Council service to them where it is not a serious issue (as falling within 2.1 above) should use the Corporate Complaints Procedure.

(c) Our Councillor Standards Complaints Arrangements

Individuals (other than employees, due to the statutory protection of staff whistleblowing) wishing to bring a complaint against a Councillor should use the Standards Arrangements and submit a complaint to the Monitoring Officer, in the first instance. This will not prevent the complaint being taken forward under the Whistleblowing arrangements, where appropriate.

(d) Safeguarding Procedures (Adults and Children)

Where there is a concern for the safety of a child or vulnerable adult the referral should be via the appropriate safeguarding process.

3. SAFEGUARDS

3.1 Harassment or Victimisation (employees)

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for, or suspected of, the malpractice. The Council will not tolerate harassment or victimisation of any employee as a result of them raising a whistleblowing complaint. The Council will take action to protect staff when they do so in good faith. However this does not mean that if a member of staff is already the subject of disciplinary or redundancy procedures, those procedures will be halted because of their 'Whistleblowing'.

3.2 Confidentiality

The Council will do its utmost, subject to any over-riding legal obligations, to protect an individual's identity when they raise a concern and do not want their name to be disclosed. It must be realised and appreciated, however, that the investigation process itself may well reveal the source of the information, and, depending on the outcome, a formal statement by the individual may be required as part of the evidence.

3.3 Anonymous Allegations

- 3.4 Remember, this policy is designed to encourage employees to put their names to allegations. If you do not tell us who you are, it will be much more difficult for us to look into the matter, to protect your position or to give you feedback. Concerns which are reported anonymously are much less powerful, but if they contain sufficient detail they will be considered at the discretion of the Council. The factors to be considered would include:
 - (a) The seriousness of the issue raised;
 - (b) The credibility of the concern; and
 - (c) The likelihood of confirming the allegation from attributable sources.

3.5 Untrue Allegations

If an employee makes an allegation in good faith, reasonably believing it to be true, but it is not confirmed by the investigation, no action will be taken against them. If, however, individuals make malicious or vexatious allegations, disciplinary action may be considered and implemented

4. RASING A CONCERN

- 4.1 Initially, employees are encouraged to raise concerns with:
 - (a) Their immediate line manager or their line manager's manager;
 - (b) For Voluntary Controlled, Community schools / Nursery staff, with the Headteacher or Chair of Governors, where the Governing Body had adopted this policy
- 4.2 If this is not appropriate due to the nature of the concerns, or where the person is **not** an employee, the individual can raise their concerns with:
 - (a) A Head of Service
 - (b) A Service Director
 - (c) A Strategic Director
 - (d) The Chief Executive
- 4.3 Individuals who are unsure about reporting or do not feel at ease raising the concern through any of the above routes are encouraged to seek advice from one of the following:
 - (a) The Head of Devon Audit Partnership
 - (b) The Head of Legal Services (Monitoring Officer)
 - (c) Service Director for Human Resources & Organisational Development
- 4.4 Employees may ask their Trade Union or professional association to raise the concern on their behalf.
- 4.5 Concerns should be raised in writing, where possible. The background and history of the concern should be set out, giving names, dates and places where possible, and the reason why the individual is concerned about the situation. Those who do not feel able to put their concerns in writing may raise the matter verbally with the appropriate officer.
- 4.6 Although employees are not expected to prove the truth of their concern, they will need to demonstrate to the person contacted that there are sufficient grounds for concern.

5. HOW THE COUNCIL WILL RESPOND

- 5.1 Within ten working days of a concern being received, the relevant Service Director from the Council will contact the individual raising the complaint:
 - (a) Acknowledging that the concern has been received;
 - (b) Indicating how it proposes to deal with the matter;
 - (c) Telling the employee whether any initial enquiries have been made;
 - (d) Telling the employee whether further investigations will take place, and if not, why not.
- 5.2 The action taken by the Council will depend on the nature of the concern.
- 5.3 The matters raised may:

- (a) Be investigated internally;
- (b) Be referred to the Police;
- (c) Be referred to the External Auditors;
- (d) Form the subject of an independent inquiry by the Ombudsman
- 5.4 To protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other, existing, procedures (e.g. child protection or discrimination issues) will normally be referred for consideration under those procedures.
- 5.5 Some concerns may be resolved without the need for investigation. Where a formal investigation is required, it is likely to take the form of an investigation by a manager or by Devon Audit Partnership. In certain cases, the matters raised may be referred to the Police or the Council's external auditors for investigation or an independent inquiry could be set up.
- 5.6 The amount of contact between the managers considering the issues raised and the complainant will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided.
- 5.7 When any meeting is arranged, employees have the right, if they so wish, to be accompanied by a Trade Union or professional association representative or a work colleague who is not involved in the area of work to which the concern relates.
- 5.8 The Council will take steps to minimise any difficulties which employees may experience as a result of raising a concern. For instance, if employees are required to give evidence in criminal or disciplinary proceedings, the Council will advise them about the procedure.
- 5.9 The Council accepts that employees need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, and the requirement for confidentiality of others involved in the process, employees will receive information about the outcomes of any investigations.
- 5.10 If an employee is not assured that the matter has been properly addressed, they should contact the Head of Devon Audit Partnership, or consider an alternative method of taking forward a complaint (section 6).

6. ALTERNATIVE METHODS OF TAKING FORWARD A COMPLAINT

- 6.1 This policy is intended to provide employees with an avenue to raise concerns within the Council. If an individual is not satisfied, and feels it is right to take the matter outside this process, possible contact points are listed below including Protect (formerly Public Concern at Work), an independent charity set up to provide advice and guidance about whistleblowing issues.
 - (a) The local Council member (if you live in the area of the Council);
 - (b) The External Auditor;
 - (c) Relevant professional bodies or regulatory organisations;
 - (d) Individuals' solicitors;
 - (e) A relevant charity or voluntary organisation such as Protect;
 - (f) The Police.

6.2 If an employee does take the matter outside the Council, they need to ensure that they do not disclose confidential information or that disclosure would be privileged. This should be checked with one of the designated contact points, Devon Audit Partnership, Legal Services, Human Resources or if preferred, an outside organisation such as the Ombudsman or Protect.

7. THE RESPONSIBLE OFFICER

- 7.1 The Head of Devon Audit Partnership has overall responsibility for the maintenance and operation of this policy.
- 7.2 The Head of Devon Audit Partnership will maintain a record of concerns raised and the outcomes (in an anonymous format) and will report as necessary to the Audit and Governance Committee.

8. REVIEW AND MONITORING

- 8.1 This policy is to be reviewed and monitored every year; the next review date is March 2024.
- 8.2 The Head of Devon Audit Partnership will monitor this policy. In this regard managers, councillors and trade union representatives must inform Devon Audit Partnership immediately should concerns falling under the scope of this policy be raised with them.

9. RELATED POLICIES AND DOCUMENTS AND SUPPORT

- Anti-Fraud, Bribery and Corruption Policy
- Anti-Fraud, Bribery and Corruption Strategy and Response Plan
- Grievance Resolution Policy and Procedure
- Employee Assistance Programme (Bullying & Harassment)
- Employee Handbook

10. KEY CONTACT INFORMATION

Devon Audit Partnership: Internal Audit Team Tel: 01752 306710

Email: lnternal.Audit@plymouth.gov.uk

Counter Fraud Team Tel: 01752 304450 Email: corporate.fraud@plymouth.gov.uk

Legal Services: Tel: 01752 304330

Human Resources (HR): HR Helpdesk Tel: 01752 304444 - Option 5

Protect (formerly Public Tel: 020 3117 2520

Concern at Work) Website: https://protect-advice.org.uk/advice-line/

Local Government and Social Tel: 0300 061 0614

Care Ombudsman Website: https://www.lgo.org.uk

Audit and Governance Committee



Date of meeting: 20 March 2023

Title of Report: Treasury Management Practices, Principles and

Schedules 2023/24

Lead Member: Councillor Mark Shayer (Deputy Leader)

Lead Strategic Director: David Northey (Interim Service Director for Finance)

Author: Wendy Eldridge Lead Accountancy Manager Capital & Treasury

Management

Contact Email: Wendy.eldridge@plymouth.gov.uk

Your Reference: Fin/TM/PPS 23-24

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

The CIPFA Code of Practice on Treasury Management requires the Council to publish its practices, principles and schedules each year. The Treasury Management practices, principles and schedules are in place to ensure the Council's Treasury Management policy is adhered to and that working practices and controls are in place to meet the approved strategy.

Recommendations and Reasons

To approve the Treasury Management Practices, Principles and Schedules for 2023/24 as set out in this report.

This will ensure compliance with the CIPFA Code of Practice for Treasury Management.

Alternative options considered and rejected

There are no alternative options. The Council has adopted the CIPFA Code of Practice for Treasury Management which requires the Treasury Management Practices, Principles and Schedules to be scrutinised and approved by the Audit Committee.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for the Medium Term Financial Plan and Resource Implications:

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Financial Risks

The Council has current borrowing of £557.5m with further borrowing committed to support an ambitious capital programme during a period of high inflation and borrowing rates.

Carbon Footprint (Environmental) Implications:

Treasury Management budgets reflect borrowing to support the provision for a Climate Fund in the Capital Programme and cash management to support projects within the Corporate Carbon Reduction Plan 2022 and the Climate Emergency Action Plan 2022.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The current volatility and uncertainty within the global financial markets has had a substantial effect on Treasury Management activities. The risk in the Council's investments and loans will be constantly monitored and acted upon in accordance with the principles and procedures set out in the Council's Treasury Management Practices, Principles and Schedules.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	If some	all of the not for p	informat oublicatio	tion is con n by virtu	fidential, e of Part	er (if ap you must Lof Sched the relev	dule 12A
		1 2 3 4 5 6 7						7
A	Treasury Management Practices, Principles and Schedules 2023-24							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s) Exemption Paragraph Number (if a	applicable)
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Sign off:

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Originating Senior Leadership Team member: David Northey

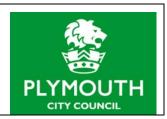
Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 13/03/2023

Cabinet Member approval: Approved verbally Cllr Shayer/David Northey

Date approved: 13/03/2023

TREASURY MANAGEMENT POLICY STATEMENT



I. INTRODUCTION AND BACKGROUND

- I.I Plymouth City Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- I.2 Accordingly, the Authority will create and maintain, as the cornerstones for effective treasury management:-
 - A treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
 - Investment management practices (IMPs) for investments that are not for treasury management purposes.
- I.3 The Authority's Council (i.e. full Council) will receive reports on its treasury and investment management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.
- 1.4 The Authority delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit & Governance Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs, IMPs and CIPFA's Standard of Professional Practice on treasury management.
- 1.5 The Authority nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 Plymouth City Council defines its treasury management activities as the management of the 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.
- 2.2 Plymouth City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.3 Plymouth City Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 2.4 Plymouth City Council borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source of borrowing and the type of borrowing should allow the Authority transparency and control over its debt.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

2.5 Plymouth City Council priority in relation to its treasury investments is the security of capital and liquidity (or accessibility) of these investments.

The Authority's objective when investing treasury monies is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve, where appropriate, a total return that is equal or higher than the prevailing rate of inflation in order to maintain the spending power of the sum invested.

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2023-24



This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for Plymouth City Council treasury operations are referenced below:

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INTRODUCTION

The Audit and Governance Committee is required to approve the Treasury Management Practices, Principles and Schedules report each year as a requirement of the Council's Treasury Management Strategy.

The CIPFA Code of Practice on Treasury Management in the Public Services (the TM Code) was last revised in December 2021. The TM Code requires The Authority to create and maintain, as the cornerstones for effective treasury and investment management:

- a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
- suitable treasury management practices (TMPs i.e. this document) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

This TMP document also sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.

Treasury Management is defined by CIPFA as:

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

'Investments' now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial returns, including but not limited to commercial property.

Investments will be categorised in accordance with the primary purpose of the investment.

- Treasury management investments are those investments that arise from the Authority's cash flows or treasury risk management activity and ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- Service investments are those held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. They may or may not involve financial returns.
- Commercial investments are those held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

Service and commercial investments assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP I3) in this document is therefore included, specific to these investments.

The Code identifies three key principles:

- (I) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- (2) Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following five clauses.

- (I) The Council will create and maintain, as the cornerstones for effective treasury and investment management:
 - a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - c. Investment management practices (IMPs) for investments that are not for treasury management purposes.
- (2) The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Governance Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (4) The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- (5) The Council produces a Capital Financing Strategy which is approved by full council, the Audit Committee may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

The Treasury Management Practices (TMPs) comprise:

- TMP I: Risk management
- TMP 2: 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: Training and qualifications
- TMP 11: Use of external service providers
- TMP 12: Corporate governance
- TMP 13 Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

I. TMP I: RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

1.1 The Section 151 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 as schedules below. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

- 1.2 **Credit and Counterparty Risk Management**: Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.
- 1.2.1 **Principle:** The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, as per the Treasury Management Strategy, or with whom it may enter into other financing arrangements.

1.2.2 Schedule:

Criteria to be used for creating/managing approved counterparty lists/limits

The Section 151 Officer is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.

The criteria will be agreed by Council.

The current criteria are contained in the Treasury Management Strategy.

The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council's treasury management advisors will provide a counterparty list based on its criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis.

This assessment will include consideration of credit ratings from main ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institution's balance sheet liabilities, CDS information, the composition of an institution's balance sheet liabilities).

Investment limits are set by reference to the lowest long-term rating from the agencies [currently A-] and other relevant factors, including external advice.

Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account including information on corporate developments and market sentiment towards investment counterparties.

Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)

Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.

Approved methodology for changing limits and adding/removing counterparties

The Section 151 Officer has delegated responsibility to add or delete counterparties and to review limits to the Council's treasury management advisors as detailed above.

Risk management: creditworthiness deteriorates below the minimum criteria

Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then

- No new investments will be made;
- deteriorates below the inimum criteria Any existing investments that can be recalled or sold at no cost will be recalled or sold;
 - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty.

(a) ratings are placed on review for downgrade

Where a credit rating is placed on 'review' for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.

This policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.

	FEITIOUTH CITT COUN
Counterparty list and limits	A full individual listing of banking* counterparties based on the criteria will be provided by the Council's treasury management advisors. As credit ratings etc. are subject to change without notice, any changes will be advised by the Council's treasury management advisors. * It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.
Desire the state of	
Details of credit rating agencies' services and their application	The Council considers the ratings of the main ratings agencies when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.
Limitations of credit ratings and other information on security of investments	The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including - bail-in risk metrics - credit default swap prices, - financial statements, - information on potential government support / bail-in impact - reports in the quality financial press and analysis and advice from the Authority's treasury management adviser.
	No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.
Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price.
	The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.
	In addition, the Council's \$151 Officer reads the quality financial press for information on counterparties.
Full individual listings of counterparties and counterparty limits	An up-to-date individual listing of banking counterparties based on the criteria is maintained and saved in the Authority's systems. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis.

Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate

Monetary limits for any one organisation (other than the UK government) are set with reference to [revenue reserves available to cover investment losses in order to minimise the impact on reserves in the case of a single default].

The level of [revenue reserves], and therefore the monetary limit, will be reviewed at least annually.

A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also placed on

- foreign countries, i.e. deposits with and CDs/bonds issued by non-UK organisations
- total amounts invested with one fund management company,
- investments in brokers' nominee accounts.

Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Responsible Investment . ESG

The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

- **Liquidity Risk Management**: Liquidity risk 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.
- **1.3.1 Principle**: The Section 151 Officer will ensure the Council 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.

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 fund future debt maturities.

I.3.2 Schedule:

Cash flow and cash Balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single cash flow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.
Amounts of approved minimum cash balances and short-	A balance in the region of £15m to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers.
term investments	The Council uses various Reserve Accounts, Call Accounts and Money Market Funds to manage its liquidity requirements These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.
Details of short-term borrowing facilities	Temporary borrowing up to I year 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	The Council has an authorised overdraft limit with its bankers Barclays of £100,000 at an agreed rate of 1% above base rate. The facility is used as a contingency.
Policy in terms of borrowing in advance of need	The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management.
	The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be 2 years, although linking loans with particular items of expenditure is not required.

- **1.4** Interest Rate Risk Management: Interest Rate risk is 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.
- **1.4.1 Principle**: The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues, in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved 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. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

1.4.2 Schedule:

Proportions of fixed/variable rate debt/interest

Borrowing/investments may be at a fixed or variable rate.

In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.

A fall in interest rates is beneficial for variable rate debt and short-term borrowing which needs to be refinanced, but not for variable rate investments.

Conversely, a rise in interest rates is beneficial for short-term investments which can be reinvested at higher rates but will be a cost for variable rate borrowing or short-term borrowing which needs to be refinanced.

The Authority sets an Interest Rate Risk indicator as part of its Treasury Management Strategy to control exposure to interest rate risk. This is set as

- (a) Upper limit on one-year revenue impact of a 1% rise in interest rates and
- (b) Upper limit on one-year revenue impact of a 1% fall in interest rates.

The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.

Managing changes to interest rate levels

The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.

The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.

The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.

Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.

Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Management Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Treasury Management Board as necessary.

For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.

Negative interest rates

Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.

- **I.5 Exchange Rate Risk Management**: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.
- **1.5.1 Principle**: The Council will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5.2 Schedule:

Exchange rate risk	This Council does not, on a day to day basis, have foreign currency transactions or
management	receipts. The Council holds a Euro account for specific European joint working
	projects. Any unexpected receipts of foreign currency will be converted to sterling
	at the earliest opportunity.
	If the Council has a continuously abligation to make a common time a summand when
	If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with
	professional advice.
	At the present time statute prevents the Council borrowing in currencies other than
	Sterling. The Council has also determined that all its investments will be in sterling.
	6

1.6 Inflation risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

1.6.1 Principle

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Investments over	Where balances are expected to be invested for more than one year, the Council
one year	will aim to achieve a total return that is equal or higher than the prevailing rate of
	inflation, in order to maintain the spending power of the sum invested.
Contractual	The Council will identify all contractual obligations which are linked to inflation,
obligations linked to	whether receipts or payments, in relation to its treasury assets and liabilities and
inflation	regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from
	existing levels.

- 1.7 Refinancing Risk Management: 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.
- **1.7.1 Principle:** The Council will ensure that its borrowing and other long-term liabilities such as 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 organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

I.7.2 Schedule:

Projected capital financing requirements	Three year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded revenue resources or reserves. Funding will be from internal or external borrowing, as decided. As required by the Prudential Code, the Council will undertake Options Appraisal 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.
Dahal ashay are in-	The Council will resintain through its transcription of the little
Debt/ other capital financing profiling, policies and practices	The Council will maintain through its treasury system – Logotech, 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.
Liability Benchmark	To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' (LB) which forecasts the need to borrow over the medium- to longer-term.
	The LB is an important tool which takes into account maturing loans and represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
	The LB is represented as a graph in the annual treasury management strategy. It will be updated regularly through the year by the Authority in conjunction with the treasury management advisors with developments and/or timing changes in the capital programme as well as changes to balance sheet resources.
	Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.
	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 on LOBO call options	The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option Borrower's Option) basis.
	The call dates for each LOBO loan are denoted within the Operations Folder and are referenced to the LOBO documentation.
	Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities.
	If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor.
	It is important to remain within the timescale for the Council to exercise its option should the call be made, but not be rushed into a decision.
Policy concerning limits on revenue consequences of capital financings	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:** The risk that the Council itself, or a third party 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 Council suffers losses accordingly.
- **1.8.1 Principle**: 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 such activities. In framing its counterparty credit risk management policy under TMPI(I) Counterparty credit risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

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 organisation.

1.8.2 Schedule:

References to The treasury management activities of the Council shall comply fully with legal relevant statutes statute and the regulations of the Council such as: and regulations Local Government Act 2003 statutory Localism Act 2011 (in relation to general power of competence) guidance and recognised codes The Local Authorities (Capital Finance and Accounting) (England) of practice Regulations 2003 and subsequent amendments The Local Authorities (Contracting out of Investment Functions) Order 1996 and subsequent amendments MHCLG Statutory Guidance on Local Government Investments (2018 Edition) CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021 Edition) and Guidance Notes for Local Authorities CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 Edition) and Guidance Notes for Practitioners Relevant CIPFA Bulletins Bank of England Money Markets Code (2021 Edition) and Explanatory Notes Council's Constitution including: • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation Procedures for To avoid the potential for illegal or irregular dealings in its treasury management evidencing the activities the Authority will maintain and make available up-to-date records of its powers and of the regulatory regime under which the TM activities are undertaken. organisation's powers/ authorities The Council's Financial Regulations contain evidence of the power/ authority to act to counterparties as required by section 151 of the Local Government Act 1972, under the general direction of the Audit and Governance Committee. 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 Investments shall only be made with institutions on the Council's authorised lending information from list or in securities which meet the Council's approved credit criteria. counterparties concerning their The Council will only undertake borrowing from approved sources listed in TMP 4. powers/ authorities Statement on Political risk is managed by: political risks and adoption of the CIPFA Treasury Management Code of Practice management of the • adherence to Corporate Governance (TMP 12 - Corporate Governance) same • adherence to the Statement of Professional Practice by the Section 151 • the roles of the Audit and Governance Committee.

- 1.9 Operational Risk, including Fraud, Error and Corruption and Contingency Management: This is the risk that the Council 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 referred to as operational risk.
- **1.9.1 Principle**: The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, other eventualities in its treasury management dealings or external events. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

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Details of systems and procedures to be followed, including Internet services Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.

- I. <u>Electronic Banking and Dealing</u>
- (a) <u>Banking</u>: The Council's online banking service provided by Barclays is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:
 - Within the Treasury Management Department
 - Head of Corporate Finance
 - Lead Accountancy Manager
 - Lead Accountants
 - Service Accountants
 - Assistant Accountant

Officer access is reviewed at least 6 monthly or as necessary.

- (b) Access to the Council's <u>treasury management system</u>, Logotech is limited to those officers listed below, each having a separate log-on and password.
 - Within the Treasury Management Department
 - Lead Accountancy Manager
 - Lead Accountants
 - Service Accountants
 - Assistant Accountant

These also are reviewed at least 6 monthly or as necessary.

- (c) Access and use of the online ICD Portal, for our Money Market Funds and iDeal for Arlingclose dealing platform, is listed below:
 - For Fund Selection
 - Head of Corporate Finance
 - Lead Accountancy Manager
 - For Trading, the following members of the Treasury Management team
 - Lead Accountants
 - Service Accountants

Full procedure notes covering the day to day operation of the on-line banking system and the treasury management system are documented.

- 2. <u>Standard Settlement Instructions</u> (SSI) list: a list is maintained of named officers who have the authority to transact loans and investments
 - Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list.
 - A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF.
 - Money Market Funds/MMF portal clearing
 - Externally managed pooled funds.
 - Payment Authorisation:
 - Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank.
 - Other payments made using online banking system and BACS payments can be authorised by an approved list of signatories.

	 Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.
Verification	Loans and investments will be maintained in registers/treasury management system which will include fees and brokerage paid.
	Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.
	When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.
Substantiation	I. The Treasury Management system balances are reconciled with financial ledger codes at the end of each quarter and at the financial year end.
	2. Working papers are retained for audit inspection.
	3. The bank reconciliation is carried out monthly from the bank statement to Civica general ledger.
Internal Audit	Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See TMP7 Budgeting, accounting and audit arrangements.
Contingency Management	I. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by the service provider, DELT, to restore files, if necessary.
	2. Temporary off-site working facility: The officers who can avail of this facility following an emergency are The Treasury Management Officers who will individually be made aware of the procedures to follow.
	3. Electronic Banking System Failure: The Council's bank including the mode of obtaining balance details and information on inflow/outflow of monies and instructions for CHAPS payments can be made over the phone. Hard copies of contact details and account numbers are held onsite, and work mobile phones will be made available.
	4. A Business continuity plan and IT disaster recovery .
Insurance Cover details	The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Corporate Risk and Insurance Team.

are compromised, against which effects it has failed to protect itself adequately.

principal sums the Council borrows and invests, its stated treasury management policies and objectives

1.10.1 Principle: This 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.

I.10.2 Schedule:

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

Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.

The Council may consider an investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors.

The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy.

The Authority also sets monetary limits for the Price Risk prudential indicator as part of its TM strategy. The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments.

Accounting for unrealised gains/losses

The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.

A statutory override is in place until March 2023 for fair value gains and losses on most pooled investment funds not to be taken to revenue (capital finance regulation 30K). DLUHC indicated in December 2022 that this would be extended for two years to March 2025 but has yet to legislate for this.

The regulation requires fair value gains and losses on pooled investment funds to be taken to an unusable reserve, the Pooled Investment Fund Adjustment Account, except those:

- held on behalf of a pension fund or trust fund,
- classed as capital expenditure,
- that are neither UCITS funds nor approved by HM Treasury for use by local authorities.
- that have been elected to fair value through other comprehensive invoice (FVOCI), or
- that have been redeemed, sold or otherwise disposed of.

Where pooled funds are classed as capital expenditure, any fair value gains and losses charged to Finance I&E will be reversed out to the Capital Adjustment Account via the MiRS. It might therefore appear that the election to FVOCI is unnecessary, however, since regulations might change in future and the election can only be made on initial recognition or on transition to IFRS 9, the Council has including capital expenditure funds in its election.

2 TMP 2: PERFORMANCE MEASUREMENT

2.1 Principle: 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 policy statement.

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, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

2.2 Schedule:

D 1:	
Policy concerning	Best value reviews will include the production of plans to review the way services are
methods for testing	provided by
value for money	■ Challenging
	■ Comparing performance
	■ Consulting with other users and interested parties
	 Applying competition principles
	In order to pursue continuous improvement in the way the Council's functions are
	exercised, having regard to a combination of value for money, efficiency and
	effectiveness.
Policy concerning	Performance measurement at this Council is intended to calculate the
methods for	effectiveness of treasury activity in delivering the strategic objectives set through
performance	the Treasury Management Strategy and the Council's Prudential Indicators and
measurement	to enhance accountability.
illeasurement	to enhance accountability.
	Prudential Indicators are local to the Council and are not intended as a
	comparator between authorities.
	The performance review will be made in the light of general trends in interest
	rates during the year and how the decisions made corresponded with these
	trends and the Council's agreed strategy, i.e. the Council will avoid hindsight
	analysis.
	dialysis.
	Any comparison of the Council's treasury portfolio against recognised industry
	standards, market indices and other portfolios is intended to
	· ·
	(i) allow the Council the opportunity to assess the potential to add value through
	changes to the existing ways in which its portfolio is managed and
	(ii) permit an informed judgement about the merits or otherwise of using new
	treasury management techniques or instruments.
	In drawing any conclusions the Council will bear in mind that the characteristics of
	its treasury operations may differ from those of other councils, particularly with
	regard to the effective management of risk.

Methodology to be Monitoring of the outcome of treasury management activity against Prudential applied for Indicators approved by the Council will be carried out as part of the budget evaluating the monitoring reports to the Treasury Management Meetings throughout the year. impact of treasury The year-end Annual Treasury Report will also include, as a matter of course, the management decisions outturn against the PIs set prior to the commencement of the financial year and any in-year amendments. The Council's Treasury Management advisers review the existing borrowing and investments and they produce a quarterly report to review the Council's position and benchmark this against other local authorities. The Council participates in the Treasury Management Advisor's quarterly investment benchmarking as well as the Treasury Management Advisor's annual Balance Sheet and Debt benchmarking. Treasury management activity is reviewed half yearly against strategy and prevailing Methodology to be employed for economic and market conditions through the treasury monitoring report to Audit and Governance Committee. measuring the performance of the The report will include: Council's treasury CFR Funding Ratio (gross borrowing as a % of the Loans CFR) a) management b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion activities of net borrowing) Average rate on gross borrowing vs weighted average maturity c) The effect of new borrowing and/or maturities on the above d) e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) Total investments including average rate and maturity profile f)

externally managed funds

their call period)

g)

h)

i)

j)

The rate of return on investments against their indices for internally and

An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in

A statement whether the treasury management activity resulted in a breach

of the Prudential Indicators and other limits set within treasury strategy Daily bank balances: any major deviations from the target bank balances Benchmarks and calculation methodology with regard to risk and return

Treasury Management Costs -

Costs are split into Debt Management, Investment Management and Other. Investment Management invested, and Debt Management Cost of debt.

Investment returns are reported and compared with current market returns.

- Internally Managed Investment Returns total interest accruing during the month or year on average daily balances invested during the calendar month.
- Externally Managed Investment Returns the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund.
- Credit risk and credit profile
- Volatility of funds operation on a variable net asset value (VNAV) basis.

Debt Management

- Average Rate on external debt borrowed in financial year
- Average period to maturity of external debt
- Average period to maturity of new loans in financial year
- Ratio of PWLB and market debt (beginning and end of period)
- Ratio of fixed and variable rate debt (beginning and end of period)
- Percentage of debt maturing in (i) 12 months and (ii) 12-24 months which will need refinancing
- Percentage of LOBO loans with call frequency of (i) six months, (ii) 12 months, (iii) 2 years (iv) 3-5 years (v) greater than 5 years

Policy concerning methods for testing value for money in treasury management The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.

When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that:

- a) For placing a contract with a value below £100k, at least 3 quotes are required, for contracts between £100k £150k 5 quotes are required. Above this a formal tender is required.
- b) When placing a contract with a value in excess of £172.5k, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken.
- c) If necessary, the Council will also consult with other users of similar services as well as with interested parties.
- d) The Council will also evaluate alternative methods service delivery.

3 TMP 3: DECISION-MAKING AND ANALYSIS

3.1 Principle: 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 issued relevant to those decisions were taken into account at the time.

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation's future plans and budgets.

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

3.2 Schedule:

Capital expenditure and investment plans	The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council. Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt. The Prudential Code encourages determining spending priorities and affordability criteria. The fundamental objective in the consideration of the affordability of the Authority's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits. In considering the affordability of the capital plans, the Council is required to consider all of the resources available to it or estimated for the future, together with the totality of the capital plans, income and expenditure forecasts.
Major treasury decisions	As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either: a) Changes to Prudential Indicator(s) during the course of the financial year b) Options Appraisal to determine a funding decision c) raising a new long-term loan / long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) d) investing longer-term (i.e. in excess of 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager k) any other determined by the Council

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Borrowing purpose	The 2021 Prudential Code is clear that in order to comply with this Code, an authority must not borrow to invest primarily for financial return.
	It is not prudent for the Authority to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the Authority's functions and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
	The Statutory Guidance of Local Authority Investments in England 2018 considers that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Authority chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Authority must make additional disclosures about the reasons for doing so.
Process	Liability benchmark [LB]: The Liability Benchmark is a long-term measure of the underlying need to borrow for <u>all</u> purposes over the long term and is based on its current capital programme and other forecast cash flow movements.
	It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing (or long term investments, if the Authority is a net investor) are more appropriate.
	The LB an important borrowing risk management measure and will be inclusive in the decision-making process so as to prevent over-borrowing; it will also therefore form part of the Authority's audit trail justifying long-term borrowing decisions.
	The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.
	A rolling monthly cashflow forecast will be prepared for the ensuing 12 months and will include the financing, borrowing and surplus cash requirements of the Council, for the purpose of:
	 applying the strategy on a day to day basis monitoring the results of the strategy
	 recommending amendments to the strategy to the Council where applicable during the course of the year.
Delegated powers for treasury management	The Section 151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.

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Issues to be addressed,	In exercising these powers, the Section 151 Officer and those to whom the
evaluation, authorisation	, ,
	 have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms
	for risk management and mitigation;
	be certain about the legality of the decision reached and that the
	necessary authority to proceed has been obtained;
	be satisfied that the documentation is appropriate to deliver the
	Council's objectives, protect the Council's interests, and to maintain an
	effective audit trail;
	ensure that the perceived credit risk associated with the approved
	counterparties parties is judged satisfactory and is within agreed limits;
	 be satisfied that the terms of any transactions have been fully checked
	against the market, and have been found to be competitive; is this being
	carried out.
	 follow best practice in implementing the treasury transaction.
	In exercising Borrowing and Funding decisions, the Section 151 Officer will with
	advice from the council's Treasury Management Advisors:
	evaluate economic and market factors that may influence the manner and timing of any decision to fund:
	 timing of any decision to fund; evaluate the amount, structure, and duration of new borrowing and the
	timing thereof in relation to the Authority's planned borrowing needs
	(e.g. by use of a liability benchmark)
	 consider alternative forms of funding, including use of revenue resources,
	leasing and private partnerships;
	 consider the use of internal resources and/or the most appropriate
	periods to fund and repayment profiles to use;
	 consider ongoing revenue liabilities created;
	 where applicable, monitor regularly the benefits of internal borrowing
	against the potential for incurring additional costs by deferring borrowing
	into future years.
	The Council's objective when investing money is to strike an appropriate
	balance between risk and return, minimising the risk of incurring losses from
	defaults and the risk of receiving unsuitably low investment income.
	In exercising Investment decisions, the Section 151 Officer will:
	 Determine that the investment is within the Council's strategy and pre-
	determined instruments and criteria;
	consider the risks to capital and returns and the implications for the
	Authority's future plans and budgets, including implications of any
	market-related changes to the value of the capital invested
	consider whether monies can be used in lieu of externally borrowing
	consider the optimum period, in the light of core balances and reserves, coel flow and balances are designed.
	cash flow availability and prevailing market conditions;
	 the credit risk associated with unsecured investments with banks and building societies
	 consider the alternative investment products and techniques available if
	appropriate.
Processes to be	The processes to be followed will be in keeping with TMP 4: The Council's
followed	Approved, Instruments, Methods and Techniques.
	1

Evidence and records to	The Council will maintain a record of all major treasury management decisions,
be kept	the processes undertaken and the rationale for reaching the decision made.
	These will allow for an historical assessment of decisions made and verification
	that any checks and safeguards are indeed in place and operating correctly.
	Records and working papers will be maintained by the Council electronically and/or in relevant files.
Other	The Council will maintain in its Operating Folder for the call dates for all LOBOs
	The Council's Treasury Strategy will also state the maximum exposure to
	LOBOs being called in that financial year.
	A LOBO is called; the new interest rate will be reviewed against other borrowin rates, and will be redeemed if necessary.

4 TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Principle: The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMPI Risk Management.**

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury 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.

The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate."

4.2 Schedule:

Approved treasury	The Council is permitted to undertake the following activities:
management activities	 Managing cashflow
_	 Capital financing
	 Borrowing including debt restructuring and debt repayment
	 Lending to third party organisations
	 Redemption of investments
	■ Banking
	■ Leasing
	 Managing the underlying risk associated with the Council's capital financing and surplus funds activities.
	The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with
	using the instruments/techniques before undertaking them, more so as some risks

may not be wholly or immediately transparent.

Approved capital financing methods and types/sources of funding

- long term money market loans including forward starting loans and LOBOs
- temporary money market loans (up to 364 days)
- bank overdraft
- loans from bodies such as the European Investment Bank (EIB)
- Stock issues
- Deferred Purchase
- Government and EU Capital Grants
- Lottery monies
- Other Capital Grants and Contributions
- Private Finance Initiative
- Leasing
- Hire purchase
- Sale and leaseback

The Authority may also use internal resources:

- Capital Receipts
- Revenue Balances
- Reserves

Approved sources of long-term and short-term borrowing include

- HM Treasury's PWLB lending facility (formerly the Public Works Loans Board)*
- Any institution approved for investments
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except [your local] Pension Fund)
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues
- Any other counterparty you intend to borrow from

* HM Treasury has issued new guidance regarding PWLB lending which will apply to any loan arranged from 26 November 2020. https://www.dmo.gov.uk/media/17136/pwlb-guidance-for-applicants.pdf

The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.

Approved treasury investment instruments

The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the MHCLG in its Investment Guidance March 2018 (as amended).

The Annual Investment Strategy should be approved by full Council

The Council will determine through the AIS which instruments will be used inhouse and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.

The Council will, where applicable, use the Council's credit criteria.

examples

- Deposits with the UK government, the Debt Management Agency Office (DMO), and UK local authorities
- Term deposits with banks and building societies
- Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit)
- Certificates of deposit
- Callable deposits
- Investments in Money Market Funds , i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM)
- Treasury Bills
- Gilts
- Bonds issued by multilateral development banks
- Sterling denominated bonds by non-UK sovereign governments
- Covered bonds (i.e. those with underlying collateral)
- Unsecured corporate bonds
- Reverse Repurchase Agreements ('reverse repos')
- Investments with Registered Providers of Social Housing (i.e. housing associations)
- Commercial paper
- Floating Rate Notes

The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with the above investment instruments.

Investments that are not part of treasury management activity These are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes loans supporting service outcomes, investments in subsidiaries and the investment property portfolio.

The Council ensures that it has the same robust procedures for the consideration of risk and return and

- ensures that all investments, including non-treasury investments are covered in the Capital Strategy.
- maintains a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees.

Contribution: The Authority will disclose in its Annual Investment Strategy and the Capital Strategy the contribution that non-treasury investments make to the overall financial and/or service delivery objectives of the Authority. In this regard, where appropriate the Authority will group individual investments into categories.

From 2023/24, the Authority will also set an additional Prudential indicator: "Net income from commercial and service investments to net revenue stream". In calculating net income only direct costs such as property management are netted off gross income, not related interest and MRP costs.

The Informal Commentary to the 2018 Investment Guidance also recommends that the Authority's Investment Strategy include for existing and planned investments:

- quantitative indicators that allow Councillors and the public to assess both the opportunities of the investments as well as the total risk exposure as a result of its investment decisions over both, the payback period and over the repayment period of any debt taken out (the indicators are not mandatory but should be taken as examples);
- how investments are funded and the rate of return received.

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Use of Derivatives	Financial derivatives:
	The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
	Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in this TMP document will count against the counterparty credit limit and the relevant foreign country limit.
	In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
	Additionally, the use of derivatives is restricted to only those officers who have completed the appropriate training for their use.
	Embedded derivatives: Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
MiFID II professional client status	The Council has reviewed its classification with financial institutions under MiFID II and has registered as a professional client.
	The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II. Designation under MiFID II will be endorsed by the treasury strategy and reviewed frequently to ensure the designation remains appropriate.
Legal Entity Identifier	The Council is registered with the London Stock Exchange as a Local Operating
(LEI)	Unit to obtain a Legal Entity Identifier (LEI).

5 TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Principle: The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, 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.

The principle 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.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 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.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Section 151 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 the schedule below.

The delegations to the Section 151 Officer in respect of treasury management are set out in the schedule below. The Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

S	ee Appendix I for Organisation Charts

5.2

Schedule:

5.3 Schedule:

Limits to Full Council: receiving and reviewing: responsibilities at Prudential Indicators (Capital Expenditure, Authorised Limit, Operational **Executive levels** Boundary) Treasury Management Strategy including the Annual Investment Strategy Capital Financing Strategy Receiving and reviewing reports on treasury management policies, practices and activities responsibility has been delegated to the Audit and Governance Committee The Cabinet: approval of amendments to adopted clauses, treasury management policy statement, Treasury Management Strategy and Capital Financing Strategy • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations has been delegated to the Audit and Governance committee Principles and The segregation of duties will be determined by the Treasury Management Lead practices concerning Accountancy Manager. segregation of duties Segregation of duties exists in that: • the officers responsible for negotiating and closing treasury management deals also record the transactions in the cash book and completing bank reconciliations but are completely separate from the officer(s) who authorise the deals and any payments. • all borrowing/investments decisions must be authorised by the Section 151 officer or other nominated authorised officers (see below), depending on authorisation levels.

Statement of duties/ responsibilities of each treasury post Including absence cover arrangements The Section 151 Officer

- Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance
- Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy.
- In setting the prudential indicators, be responsible for ensuring that all
 matters are taken into account and reported to the Council so as to ensure
 the Council's financial plans are affordable, prudent and sustainable in the
 long term.
- Establish a measurement and reporting process that highlights significant variations from expectations.
- Submit regular treasury management reports as required to the Audit and Governance Committee.
- Receiving and reviewing management information reports.
- Review the performance of the treasury management function and promote best value reviews.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensure the adequacy of internal audit, and liaising with external audit.
- Recommend on appointment of external service providers in accordance with council standing orders.
- Provide regular updates to relevant Cabinet Members.
- Delegated authority to approve loans over 1 year and investments up to 10 years.
- Delegated authority to approve loan repayments/rescheduling.
- The Section 151 Officer may delegate his power to borrow and invest to the Head of Corporate Finance, Lead Accountancy Manager, Lead Accountant and Service Accountants as appropriate.

Head of Corporate Finance

- The responsibilities of this post will include covering the full responsibilities of the Section 151 Officer in their absence.
- Delegated authority to approve loans over I year and investments up to 50 years.
- Delegated authority to approve loan repayments/rescheduling.
- Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- Establish a measurement and reporting process that highlights significant variations from expectations.

Lead Accountancy Manager

- Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, mid-year and annual Treasury Management report and Treasury Management Practices.
- Recommend early repayment of debt over one year and subject to the approval of the Section 151 Officer, or the Head of Corporate Finance arrange the repayment of these loans.
- Prepare budget for capital financing including all treasury management loan and investment activities including MTFS.
- Submitting management information reports to the Treasury Management Board, Section 151 Officer and Head of Corporate Finance.

Lead Accountancy Manager and Lead Accountant

- To provide cover in the absence of the Service Accountants cover the full responsibilities of this post.
- Maintaining relationships with third parties and external service providers and reviewing their performance.
- Adherence to agreed policies and practices on a day-to-day basis.
- Identifying and recommending opportunities for improved practices.
- Authority to borrow for periods up to 1 year and lending up to 3 month.
 Lending in excess of 3 month subject to the agreement of the Section 151
 Officer or Head of Corporate Finance.
- Following approval by the Section 151 Officer undertake all borrowing over I year and deposits/investments up to 10 year maturity.
- Make recommendations on all lending up to 10 years and borrowing over 1 year maturity.
- Updating the Treasury Management Board with information on credit ratings, share prices, economic and press news impacting on the credit quality of the Council's deposits.

Service Accountant

- Negotiates and closes treasury management deals and records the transaction and payments obtaining authorisation as described above.
- Carrying out the execution of transactions
- Monitoring performance on a day-to-day basis.
- Identifying and recommending opportunities for improved practices.
- Using the counterparties list provided by the Council's Treasury Management advisers.
- Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments.

Cover is reviewed at least every 12 months, or as necessary.

Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.

Absence cover arrangements	Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels): Head of Corporate Finance Lead Accountancy Manager Lead Accountant Service Accountant
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	The Section 151 Officer (Chief Finance Officer) and the Head of Legal Services (Monitoring Officer), report into the Strategic Director for Customer and Corporate Services, who in turn reports into the Chief Executive (Head of Paid Services).

5.4 Dealing

Authorised officers	Responsible officer for borrowing/investment decisions :
	Borrowing activity: • Section 151 Officer • Head of Corporate Finance • Lead Accountancy Manager Lending activity: • Section 151 Officer • Head of Corporate Finance • Lead Accountancy Manager
	Authorising payments for borrowing/lending Overnight; Service Accountant Under I year Lead Accountancy Manager Over I year Section 151 Officer Head of Corporate Finance Transaction recording: Lead Accountant Service Accountant
Dealing limits	Internally Managed Investments: • Deposits up to 3 months with unlimited value with the Debt Management Office or Money Market Funds, £20m with a Local Government organisation or £20m with an approved bank or building society subject to the limits detailed in the Council's Annual Treasury Management Strategy and the approved lending list.

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PWLB lending	The lending arrangements for PWLB loans are provided by HM Treasury.
facility - terms and	https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-
conditions	arrangements/
	HM Treasury has issued new guidance regarding PWLB lending which applies to any loan arranged from 26 November 2020. This guidance was updated on 12 May 2022, inserting new paragraphs 12 -17. https://www.dmo.gov.uk/media/zuxnuyir/pwlb-guidance-for-applicants-may-2022.pdf
	 The current terms and application process are in Operational Circular 163, applicable to loans arranged from 21/10/21. a. Applications are completed using the PWLB's electronic template. In addition to loan details, the form includes qualifying questions to be submitted during the PWLB's operational hours (0930-1615). b. A Loan Conditional Confirmation letter is received. The loan application is subject to a review by HM Treasury. If no queries/objections are raised by trade date + 4, the loan advance is made on trade date + 5. Any changes to PWLB terms as documented in subsequent circulars will be communicated to all officers in the Treasury Management Finance Team.
	Communicated to an officers in the Treasury Flanagement Finance Team.
PWLB authorised dealers	Dealers authorised to transact with the PWLB are: David Northey Section 151 Officer Paul Looby Head of Corporate Finance Vacancy Head of Finance
	Wendy Eldridge Lead Accountancy Manager
	A complete list of officers authorised to transact with the PWLB, and any amendment thereto, is provided to the PWLB using the authorisation amendment form available on the website.
Dealing platforms / portals	iDealTrade and Money Market Fund portals used by the Council
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers
Policy on brokers' services	It is the Council's policy to utilise the services between at least three brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of	Conversations with brokers are taped by the brokers, but not by the
conversations	Council.
Direct dealing practices	Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits. Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.

Inter-authority	The Council also deals with other local government authorities to invest and
dealing	borrow funds for treasury management purposes.
Deal Ticket pro-	In addition to transactions conducted through brokers, deals are conducted direct with other authorities and also via the iDealTrade execution-only dealing platform. A record of all deals, together with their specific terms, will be maintained by the Council. Deals will be recorded as per the deal ticket pro-forma (pro-forma maintained at operational level)
Settlement transmission procedures	 settlements are made by CHAPS. all CHAPS payments relating to settlement transactions requires I signature by Lead Accountant or Service Accountant. all CHAPS payments relating to settlement transactions require authorisation by a Lead Accountancy Manager or Head of Planning and Reporting the details are transmitted online to the Council's bankers.
Documentation requirements	For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.
	Investments • deal ticket authorising the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • Chaps payment transmission document Loans: • deal ticket with signature to agree loan • confirmation from the broker • confirmation from PWLB/market counterparty • Chaps payment transmission document for repayment of loan.
Arrangements concerning the management of counterparty funds	 The Treasury Management Lead Accountancy Manager has responsibility for updating the Council's records with any credit developments. The Treasury Management Lead Accountancy Manager is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

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- 6 TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS
- **6.1 Principle**: 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 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.

As a minimum, the Council and Audit and Governance Committee will receive:

- An annual report on the Treasury Management Strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Strategic Treasury Management Board will receive regular monitoring reports on treasury management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are outlined below.

6.2 Schedule:

Capital Strategy:

This document, approved by Full Council <u>annually before the start of each financial year</u>, gives a high-level overview of (i) how capital expenditure, capital financing and treasury management activity contribute to the provision of services, (ii) management of the associated risk is managed and (iii) implications for future financial sustainability.

The Capital Strategy should include:

- Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
- Commercial activities, including due diligence processes, the Council's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.
- Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes.
- Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the Council's approach to treasury management.
- Other long-term liabilities, such as financial guarantees.
- Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite.

The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.

The Section 151 Officer will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.

The Section 151 Officer will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.

Frequency of executive reporting requirements

The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.

The Section 151 Officer will submit the Prudential Indicators as part of the Treasury Management Strategy and to report on the projected borrowing and investment strategy and activities for the forthcoming financial year to the Council before the start of the year.

The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.

A Mid-Year Treasury Report will be prepared by the Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Audit and Governance Committee during the year.

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Content of Reporting: Prudential Indicators

The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 45actual outturn (where appropriate) in respect of:

- Financing costs as a proportion of net revenue stream (estimate; actual)
- Capital expenditure (estimate; actual)
- Capital Financing Requirement (estimates; actual)
- Authorised limit for external debt
- Operational boundary for external debt
- Forecast external debt

Treasury indicators

- Upper and lower limits to maturity structure of fixed rate borrowing
- Upper limit to total of principal sums invested longer than 364 days.

The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.

The 2021 Prudential Code Guidance Notes cover indicators for Affordability and Prudence (pages 41-61). The 2021 Treasury Management Code Guidance Notes cover treasury indicators (pages 15-24). CIPFA's definitions are cross-referenced to the respective Codes.

With effect from 2023/24, Prudential indicators will be reported to Audit and Governance Committee **quarterly**.

The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

Treasury Strategy Statement including the Annual Investment Strategy

This document, approved by Full Council <u>annually before the start of each financial year</u>, covers

External Context: economic background; credit outlook; interest rate forecast

Local context:

- Balance sheet summary and forecast and an explanation of the movements
- Liability benchmark
- The existing investment and debt portfolio position
- The Authority's borrowing strategy; approved sources of borrowing and other sources of debt finance; (if applicable) LOBOs
- The Authority's Treasury investment strategy, ESG policy for investments, approved investment instruments, counterparties and time/monetary limits; minimum credit ratings (where applicable) and risk assessment;
- Treasury management prudential indicators
- Related matters -e.g. use of financial derivatives
- MiFID II status
- Financial implications of the strategy

This strategy covers the requirements of the 2018 MHCLG (now DLUHC) **Investment Strategy** Investment Guidance, including the investment indicators. It covers: Treasury management investments Service investments (.e.g. loans to or shares in subsidiaries / suppliers / local businesses / local charities / housing associations / local residents / employees] and their contribution; limits; risk assessment Commercial investments - property (MHCLG defines property to be an investment if it is held primarily or partially to generate a profit), its contribution towards the service delivery objectives and/or place making role of the Authority; risk and security assessments; Loan commitments and financial guarantees Proportionality - the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Borrowing in advance of need (if relevant) Capacity, Skills and Culture of elected members and statutory officers involved in the investments decision making process Investment indicators Total investment exposure Investments funded by borrowing Investment Rate of Return (net of all costs) Other indicators such as: Debt to net service expenditure ratio; Commercial income to net service expenditure ratio 3. Annual Treasury The Section 151 Officer will produce an annual report for the Audit and Outturn Report Governance Committee on all activities of the treasury management function (including the performance of investment groups) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year. The main contents of the report will comprise: confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year; the prevailing economic environment a commentary on treasury operations for the year, including their revenue commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council compliance with agreed policies/practices and statutory/regulatory requirements compliance with Prudential Indicators;

performance measures.

officers.

training /continuous professional development undertaken by treasury

The Audit and Governance Committee will also receive a copy of this report

to carry out its scrutiny role of treasury management.

4 Mid Vaan Tussaumi	The Costion IEL Officer will another a midure an area of few Council on the
4. Mid-Year Treasury	The Section 151 Officer will produce a mid-year report for Council on the
Report	borrowing and investment activities of the treasury management function for
	the first six months of the financial year.
	The main contents of the report will comprise:
	the prevailing economic and credit environment
	economic forecast (including interest rates forecast)
	a commentary on treasury operations (borrowing and investments) for
	the period, including their revenue effects
	commentary on the risk implications of treasury activities undertaken
	and the overall impact on the treasury portfolio
	any future implications for the treasury portfolio
	 compliance with agreed policies/practices and statutory/regulatory
	requirements
	performance measurement
	 training /continuous professional development undertaken by treasury
	officers
	The Audit and Governance Committee will also receive a copy of this report
	to carry out its scrutiny role of treasury management.
Content and frequency of	· · · ·
management information	information of the council's Treasury Management activities in a dashboard
_	
reports	report and also through Key Performance Indicators report to senior
	management.
	The second of the second of
	This reports includes details of:
	borrowing and investment activity undertaken
	 performance of internal and external investments
	cash flow monitoring
	 average interest rates for borrowing and investments
	any other, e.g. details of daily bank balances against target balances
	any other, e.g. details of daily bank balances against target balances
	The Lead Accountancy Manager for Treasury Management provides
	information of the Council's Treasury Management activities to the Council's
	advisors who provide full report to the Treasury Management Board 3-4 times
	a year.

7 TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Principle: The Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will 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 matters 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 Performance measurement, and TMP4 Approved instruments, methods and techniques. The form which the Council's budget will take is set out in the schedule below.

The Section 151 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.**

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. The present form of the Council's accounts is set out in the schedule.

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. The information made available under present arrangements is detailed below.

7.2 Schedule:

Statutory/regulatory requirements	Balanced Budget Requirement : The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:,
	(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and
	(b) revenue costs which flow from capital financing decisions.
	S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.
Accounting practices and standards	The Accounts and Audit Regulations 2015 and subsequent amendments
	 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments
	MHCLG <u>Statutory Guidance on Minimum Revenue Provision</u> (2018 Edition)
	 CIPFA/LASAAC <u>Code of Practice on Local Authority Accounting in the UK</u> (2022/23 Edition)
	Relevant <u>CIPFA Bulletins</u>
	IFRS 7 Financial Instruments: Disclosures
	IFRS 9 Financial Instruments
	IAS 23 Borrowing Costs
	IAS 32 Financial Instruments: Presentation
	IPSAS 28 Financial Instruments: Presentation
	IPSAS 30 Financial Instruments: Disclosures
	IPSAS 41 Financial Instruments

Financial Statements	 The Financial Statements comprise: A Narrative Report Accounting policies, changes in accounting estimates and errors Presentation of financial statements Movement in reserves statement Comprehensive income and expenditure statement Balance sheet 	
	Cash flow statementCollection Fund note	
	Statement of Responsibilities	
	Notes to the financial statements	
	Remuneration Report	
	 Statements reporting reviews of internal controls or internal financial controls 	
	Events after the reporting period	
	Related party disclosures	
	Independent Auditor's Report	
	Annual Governance Statement	
Format of the Council's accounts	The current form of the Council's accounts is available online at www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts	
Disclosures relating to treasury management	Notes to the annual Statement of Accounts include: Financial Instruments — Financial Assets, Financial Liabilities; Income, Expense, Gains and Losses on Financial Instruments Fair Value of Financial Assets and Liabilities Nature and Extent of Risks arising from Financial Instruments: Credit Risk, Liquidity Risk, Refinancing and Maturity Risk, Market Risks (Interest rate risk, Price risk and Exchange Rate Risk)	
	The Authority will exercise judgement on the level of detail to be disclosed about particular financial instruments, taking into account the relative significance of those instruments.	
	So that the information is comprehensible, material information should not be obscured by immaterial information or by aggregating material items that have different natures or functions.	

Treasury-related information requirements of external auditors

The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.

Information is this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.

- Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.
- Prudential Indicators.
- Treasury Management Strategy including Annual Investment Strategy.

External borrowing:

- New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)
- Loan maturities.
- Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.
- Analysis of loans outstanding at year end including maturity analysis.
- Analysis of borrowing between long- and short-term
- Debt management and financing costs
 - calculation of (i) interest paid (ii) accrued interest
 - interest paid
- MRP calculation and analysis of movement in the CFR.
- Bank overdraft position.
- Brokerage/commissions/transaction related costs.

Investments:

- Investment transactions during the year including any transaction-related costs
- cash and bank balances at year end
- short-term investments at year end
- long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year
- calculation of (i) interest received (ii) accrued interest
- actual interest received
- external fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any)
- basis of valuation of investments
- evidence of existence and title to investments (e.g. Custodian's Reports.
- schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

	 Cash Flow Reconciliation of the movement in cash to the movement in net debt Cash inflows and outflows (in respect of long-term financing) Cash inflows and outflows (in respect of purchase/sale of long-term investments) Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources Other Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. External advisors'/consultants' charges
Internal Audit	Internal Audit conducts a review of the treasury management function and probity testing on an annual basis. The internal auditors will be given access to treasury management information/documentation as required by them.
Compliance with CIPFA Treasury Management and Prudential Codes	Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy. Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.
Costs for treasury management	The budget for treasury management forms part of the Finance budget.

8 TMP 8: CASH AND CASH FLOW MANAGEMENT

8.1 Principle: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 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 Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [2] liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

8.2 Schedule:

Arrangements for preparing /submitting cash flow statements

Cash flow forecasts will be viewed over one time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.

The cash flow forecasts and statements are held at operational level.

The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.

An **outline medium-term cash flow** model is prepared as part of the MTFP budget process, with projections for 2 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.

A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis.

It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.

Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the excel cashflow document.

Liability Benchmark (LB)

The LB is helps establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.

The LB will be updated regularly through the year by the Authority with developments and/or timing changes in the capital programme as well as changes to balance sheet resources.

Please see TMP 5 for more information on its use.

Content and frequency of cash flow projections

The detailed annual cash flow model includes the following:

- revenue income and expenditure based on the budget.
- profiled capital income and expenditure as per the capital programme.

Revenue activities:

Inflows:

- Revenue Support Grant
- Precepts received
- Non domestic rates receipts
- NDR receipts from national pool
- Council tax receipts
- DSS / other government grants
- Cash for goods and services
- Other operating cash receipts

Outflows:

- Salaries and payments on behalf of employees
- Operating cash payments
- Housing Benefit paid
- Precepts paid
- NDR payments to national pool
- Payments to the capital receipts pool

Capital activities including financing

Inflows:

- Capital grants received
- Sale of fixed assets
- Other capital cash receipts

Outflows:

- Purchase of fixed assets
- Purchase of long-term investments
- Other capital cash payments

Financing, Servicing of Finance/Returns on Investments

Inflows:

- New long-term loans raised
- New short-term loans raised
- Interest received
- Discount on premature repayment of loan

Outflows:

- Loan repayments
- Premium on premature repayment of loan
- Short-term investments
- Capital element of finance lease rental payments
- Interest paid
- Interest element of finance lease rental payments

Monitoring, frequency of cash flow updates	The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those							
	relating to grant income and capital expenditure and will be reconciled							
	 net RSG and NDR payments as notified; actual salaries and other employee costs paid from account bank 							
	statements;							
	 actual payments to Inland Revenue from general account statements; 							
	actual council tax received;							
	actual housing benefit;actual capital programme expenditure and receipts.							
	actual capital programme ex	kpenditure and receipts.						
Bank statements procedures		tatements uploaded on a daily basis. The easury function and are reconciled to 1						
Payment scheduling		suppliers in line with agreed terms of tr	ade					
	and the following service standards		250					
	Small and medium enterprise people) to be paid within 15	ses (SME's – business employing up to	250					
	1	id within 30 days of receipt of invoice.						
Monitoring debtor/	Debtor levels are monitored by a m	nonthly Sundry Debtors Monitoring Repo						
creditor levels	which will include an analysis of debt by age and details and details of recovery status.							
	The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the Transaction Centre. A report is produced within three days of the BACS run with details all BACS and cheque payments for the next day in advance and recorded in the cashflow spreadsheet.							
Banking of funds		me are set out in the Financial Regulatio cashiers section are banked weekly.	ns.					
	All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.							
Listing of sources of		ash flow information from the follow	ring					
information	persons/departments:							
	Type of Information Capital Spend and Receipts	Source Capital Accounting Team						
	Government Grants	Logasnet						
	Payroll	Delt Services						
	Transaction Centre							
Loans and Deposits Treasury Management Team								
	Other income and payments	Finance colleagues						
Practices concerning prepayments to obtain	The following practices concerni benefits:	ng prepayments are followed to obt	ain					
benefits	All prepayments must be autho respective department.	rised by the approved signatory in	the					

9 TMP 9: MONEY LAUNDERING

- **9.1 Background**: The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:
 - 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.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

9.2 Principle: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.

9.3 Schedule:

Anti money laundering policy	This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.
	The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.

OFFICIAL Page 112

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Main offences relating to 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 that a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
	acquiring, using or possessing criminal property.
	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 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 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.
Treasury documentation	The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include: — Awareness of what constitutes money laundering; — The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed; — Maintaining up-to-date direct dealing and SSI mandates with counterparties
Nomination of Responsible Officer(s)	(a) The Council has nominated the Section 151 Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated.
	(b) The Section 151 Officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.
	(c) The Section 151 Officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).

Procedures for establishing the Identity of Lenders and Borrowers

- (a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.
- (b) The Council will not accept loans from individuals.
- (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.
- (d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Authority's website

https://www.bankofengland.co.uk/prudentialregulation/authorisations/which-firms-does-the-pra-regulate

- (e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.
- (f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.
- (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.
- (h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.
- (i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.

10 TMP 10: TRAINING AND QUALIFICATIONS

10.1 Principle: 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 Section 151 Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The Section 151 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.

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

The present arrangements are detailed in the schedule below.

10.2 Schedule:

Qualifications/ experience for treasury staff	Part or fully qualified or training towards qualification of one of the accepted accountancy bodies, i.e. CIPFA, ACA, ACCA, CIMA.				
	Member of the Association of Accounting Technicians (AAT) part or fully qualified.				
	Attend treasury training as provided by our Treasury Advisors, CIPFA and the auditors.				
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are:				
	 Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, or Financial Management. Any courses/seminars run by Treasury Management advisors. Attending CIPFA seminars and workshops. Attend external auditors training Training attended by those responsible for scrutiny of the treasury function 				
	The Council participates in CIPFA training and workshops for CPD development purposes.				
Records of training received by treasury staff	Treasury-related training records are maintained by the Lead Accountancy Manager for Treasury Management.				
Training received by those charged with governance	Training on Treasury Management should be provided for those people/committees responsible for governance of treasury management.				

11 TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1 Principle: The Council recognises that responsibility for the treasury management decisions remains with the organisation 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 overreliance 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 Section 151 Officer, and details of the current arrangements are set out in the schedule below.

11.2 Schedule:

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £200k and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
Details of service providers and	(a) Bankers to the Council
procedures and frequency for tendering services	Barclays Bank 3 Bedford Street
services	Exeter
	EXI ILX
	Tel: 0345 3010 927
	Contract period: I April 2014 ends 31 March 2022.
	(b) Treasury advisor
	Arlingclose Limited
	35 Chiswell Street, London, ECTY 4SE
	Tel: 08448 808 200
	Contract period: New contract commences April 2021 to 31 March 2024.
	(c) External Fund Manager
	King & Shaxson
	6 th Floor, Candlewick House, 120 Cannon Street
	London, EC4N 6AS

Dotaile of comitee	
Details of service	
providers and	(d) Brokers:
procedures and frequency for tendering	(d) biokers.
services (cont'd)	It is considered good practice for the Council to have at least two brokers
services (contra)	and to spread business between them.
	Tullett Prebon Limited
	Level 3, 155 Bishopsgate, London, EC2M 3TQ
	Tel: 020 7200 7000
	Tradition (UK),
	` '
	Beaufort House, 15 St. Botolph Street, London, EC3A 7QX.
	Tel: 020 7198 1500
	London Currency Brokers,
	, and the second
	LCB House, 8A The Broadway, Pitsea, Essex, SS13 3AY.
	Martin Brokers (UK) Plc,
	I Churchill Place, Canary Wharf, London, E14 5RD.
	Tel: 020 7469 9000
	Sterling International Brokers Limited
	I Churchill Place, 18th Floor, London, EC4 5RD.
	Tel: 020 7962 9960
	Tel. 020 7762 7760
	Imperial Treasury Services
	Office 7, 25 St Andrew Street, Hertford
	Hertfordshire SG14 1HZ
	Arlingclose Limited
	35 Chiswell Street, London, ECTY 4SE
	Tel: 08448 808 200
	1 el. 00770 808 200
Danile C	
Regulatory status of services provided	All financial services providers are regulated by the Financial Conduct Authority (FCA).
Details of service	The Council will seek to take expert advice on interest rate forecasts, annual
provided by Treasury	treasury management strategy, debt rescheduling and use of various
Advisor	borrowing and investment instruments.
	The responsibility for borrowing, investments and risk management remains with the Council
Bribery Act	
	The Council is mindful of the requirements of the Bribery Act 2011 in its
	dealings with external providers

12 TMP 12: CORPORATE GOVERNANCE

12.1 Principle: 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.

The Council has adopted and has implemented the key principles of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.2 Schedule:

Stewardship responsibilities	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.	The following documents are freely available for public inspection: Annual Statement of Accounts Council's Annual Budget S Year Capital Budget Treasury Management Strategy Annual Investment Strategy (which will include treasury and nontreasury investments) Minimum Revenue Provision policy Capital Finance Strategy Budget Monitoring Reports Annual and Mid-Year Treasury Report
Council's website.	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders.	Members and senior officers of the Council are consulted via reports to the Audit and Governance Committee and officer/member briefing sessions.

TMP 13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

13 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council recognises that many of the principles underlying TMPs I to I2 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly, and these are laid out below. A published schedule has been agreed by Council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

13.1 Schedule

Register of non-treasury investments and financial guarantees	The Council will regularly updated a list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees. An outline of such investments is in the Council's Capital Strategy.
Due diligence process	In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval.
	All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.
	A diversified income-expiry profile will ensure that the funds income return is robust across a number of scenarios.
	Verification of purchase prices by external suitably qualified RICS Approved Valuers is obtained prior to any investment.
Schedules to be maintained	The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Details are set out in the Council's capital strategy and will cover the following areas: • Risk management • Decision making, governance and organisation • Reporting and management information • Performance measurement and management • Training and qualifications.
Risk Management	Follow TMPI and schedules as detailed previously, including investment and risk management criteria for any material non-treasury investment portfolios. Due diligence processes and procedures are undertaken to reflect the
	additional risk the Council is taking on.
Independent and expert advice	Independent expert advice is sought for property purchases as part of the due diligence.

Decision making, governance and organisation	The Financial Regulations detail how capital projects are approved and added into the capital programme. For non-treasury investments the appropriate professional due diligence is carried out to support the decision making.
Training and qualifications	Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained

Appendix I

Organisation Chart for Treasury Management (FTE)



Audit and Governance Committee



Date of meeting: 20 March 2023

Title of Report: Review of Arrangements for Dealing with Complaints

Through the Code of Conduct

Lead: Emma Jackman, Monitoring Officer

Author: Emma Jackman

Contact Email: <u>Emma.jackman@plymouth.gov.uk</u>

Your Reference: Click here to enter text.

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

To seek approval for the amendments to the Arrangements for dealing with Code of Conduct complaints.

The Localism Act 2011 Section 28(6) of the Act requires the Council to have in place arrangements under which allegations can be investigated and decisions on allegations can be made.

The Council's Code of Conduct (the Code) and arrangements were last reviewed and adopted by Full Council in March 2022. The appendix to this report details the proposed arrangements for dealing with complaints under the code.

Recommendations and Reasons

That Committee approve the amended arrangements for dealing with standards complaints.

Reasons:

To comply with Section 28 of the Localism Act.

Alternative options considered and rejected

None. The Authority is required to have in place arrangements for dealing with complaints under its current code of conduct.

Relevance to the Corporate Plan and/or the Plymouth Plan

The arrangements supports the Council's values through the promotion of good governance, maintaining public trust and, delivering the Council's ambitions to being democratic, responsible and fair.

Implications for the Medium Term Financial Plan and Resource Implications:

None.

Financial Risks

None.

Carbon Footprint (Environmental) Implications:

None.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

None.

Appendices

*Add rows as required to box below

Ref. Title of Appendix		Exemption Paragraph Number (if applicable) If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
		ı	2	3	4	5	6	7
A	Arrangements for Dealing with Standards Complaints							

Background papers:

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	is not for	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.					
	l 2 3 4 5 6 7						

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Originating Senior Leadership Team member: Emma Jackman

Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 16/03/2023

^{*}Add rows as required to box below

ARRANGEMENTS FOR DEALING WITH STANDARD COMPLAINTS



I. CONTEXT

- 1.1. These "Arrangements" are made in accordance with section 28 (6) and (7) of the Localism Act 2011. They explain how to make a complaint that a Councillor has failed to comply with Plymouth City Council's adopted Code of Conduct the process through which it will be dealt with.
 - A "Subject Councillor" is a Councillor against who a complaint is made.
 - A Complainant is the person making the complaint.
- 1.2. The Local Government and Social Care Ombudsman has confirmed that a Monitoring Officer does not have the power to consider a breach of the Code of Conduct in absence of a complaint being submitted to them. This is in line with the law. It also confirmed that every Council should have a full written procedure for how it will deal with complaints under the Code of Conduct.

2. MAKING A COMPLAINT

2.1. A complaint that a Councillor has failed to observe their authorities Code of Conduct should be submitted to the Monitoring Officer in writing:

Online:	Make a complaint about a councillor
By email:	CouncillorComplaints@plymouth.gov.uk
By post:	Monitoring Officer Plymouth City Council Ballard House West Hoe Road Plymouth PLI 3BJ

- 2.2. An oral complaint will only be accepted where the Complainant is unable to write due to a physical or mental disability or there is a language barrier. Where an oral complaint is received it will be recorded and confirmed in writing to the Complainant and, if required, the Monitoring Officer will talk them through it.
- 2.3. The Monitoring Officer has statutory responsibility for administering the arrangements for complaints about Councillors' conduct.
- 2.4. All complaints will need to clearly set out/include the following information:

- i. The name of the Councillor the complaint is about;
- ii. Details of what the Councillor has done that you believe breaches the Code of Conduct. You should be specific, wherever possible, about exactly what you are alleging the Member said or did
- iii. The paragraphs of the Code you believe they have breached.
- iv. The dates of the alleged incidents. If you cannot provide exact dates there must be a general timeframe.
- v. Where a complaint relates to conduct over 6 months prior to the Complaint the delay for making the complaint must be explained as the Monitoring Officer may reject the complaint in absence of reasonable explanation.
- vi. Details of any witnesses to the alleged conduct, including their contact details:
- vii. All relevant background information and supporting information and/or evidence;
- viii. What action you think would be appropriate to resolve your complaint, with regard to the range of sanctions in paragraph 11;

Anonymity

- 2.5. As a matter of fairness and natural justice the Council will not normally investigate an anonymous complaint, unless there is a clear public interest in doing so. Complainants must therefore provide their name, address and, where possible, their email address.
- 2.6. You may request that your details are kept from the Subject Councillor, explaining why. The request will be considered by the Monitoring Officer during Stage One, but your anonymity cannot be guaranteed. If the Monitoring Officer decides to refuse a request by a Complainant for confidentiality, they will offer the Complainant the option to withdraw the complaint, rather than proceed with his or her identity being disclosed.

Code of Conduct

2.7. The Code of Conduct that applies to each Councillor or Co-Opted Member can be found <u>via this link</u> and is based on the Local Government Associations model code of conduct and the requirements of the Localism Act 2011.

Informal Resolution

2.8. Complainants and Subject Councillors (Councillors against whom a complaint has been made) will, depending on the matter, be asked for their views on informal resolution at an early stage. Informal resolution remains open to the parties throughout the process even if a complaint has proceeded to the formal resolution stage.

¹ https://tinyurl.com/56abxf5z

Other Courses of Action

2.9. If the complaint identifies criminal conduct or breach of other regulations by any person, the Monitoring Officer is authorised to report this to the Police or other prosecuting or regulatory authority, in addition to any action taken pursuant to the Code. In the case of alleged criminal conduct the complaint may be held in abeyance pending the outcome of any criminal investigation to ensure that no criminal investigation is prejudiced.

Discontinuing a Complaint

- 2.10. The Monitoring Officer may discontinue a complaint in the following circumstances, where they consider it appropriate to do so:
 - where the Subject Councillor ceases to be a councillor for any reason;
 - where the Complainant has not provided any additional information requested by the Monitoring Officer (see paragraph 2.4)
- 2.11. Where a complaint is discontinued the Monitoring Officer will write to the Complainant setting out the reasons for their decision.

3. INTERACTION WITH OTHER REGIMES

Police

- 3.1. Where there is any criminal element involved the complaint should be made to the Police in the first instance. The Monitoring Officer will not automatically consider a complaint where there is a criminal aspect unless there has been confirmation with the relevant police contacts that it would not prejudice their investigations.
- 3.2. Some breaches of the Code of Conduct are also a criminal offence. Where a complaint is made to the Monitoring Officer that could constitute a criminal offence under the Localism Act 2011 the Monitoring Officer will refer the complaint/Complainant to the Police.

Whistleblowing

3.3. Where an issue is complained of which may fall within the Whistleblowing complaints process the Monitoring Officer will consult with the Chief Executive and the Service Director for HROD in order to determine under which process the complaint will be considered.

Safeguarding

3.4. Where there are any concerns of a safeguarding nature in a complaint submitted to the Monitoring Officer it will be referred as a safeguarding concern in accordance with the relevant procedures.

4. THE INDEPENDENT PERSON

- 4.1. The Council is required by section 28 (7) of the Localism Act 2011 to appoint at least one Independent Person whose views must be sought and considered before making a decision on a complaint that the Monitoring Officer has decided to investigate.
- 4.2. The Monitoring Officer may also seek the views of an Independent Person at any stage and on any aspect of a complaint, once received.
- 4.3. Any view given by the Independent Person will be recorded by the Monitoring Officer and kept on file. The Monitoring officer has discretion to share the view provide by the Independent Person with the complainant and/or subject councillor, subject to confirmation from the Independent and in line with data protection requirements.

5. RECEIPT OF COMPLAINT

- 5.1. Within five working days of receipt of a complaint, the Monitoring Officer will acknowledge receipt to the Complainant and, where relevant, request any additional information required for the Complaint to be considered valid.
- 5.2. The Monitoring Officer will confirm that a complaint is logged as a formal complaint within a maximum of 10 working days of all required information being provided to them.
- 5.3. Once the Monitoring Officer is satisfied that they have all the required information from the Complainant the complaint will be considered in line with these Arrangements.
- 5.4. Where additional information is requested but not provided within 10 working days of the request the Monitoring Officer may close the complaint. The Complainant will be notified of its closure.

6. INITIAL ASSESSMENT

- 6.1. The Monitoring Officer will review the complaint once received / they have all the information requested.
- 6.2. The Complaint will automatically be rejected where:
 - it concerns a Councillor but they were not acting in their capacity as an elected member of the Council at the time of the alleged issue (see the Code of Conduct). The Monitoring Officer will consider all of the circumstances before reaching a conclusion as to the status of the member

- at the time of the alleged breach of the Code and may consult the Independent Person;
- ii. it relates to a matter that is an offence under section 34 of the Localism Act. The proper body for such issues is the Police and the Monitoring Officer will notify the Complainant where this is the case.
- 6.3. The Monitoring Officer has discretion to reject a complaint at this stage and, if they do, they will set out their reasons in the response to the Complainant. This may include, but will not be limited to:
 - i. If the matter is considered vexatious or malicious by the Monitoring Officer
 - ii. If the matter complained of has already been subject to a complaint that has been concluded and there is no new information to support reconsideration.
 - iii. Where the matter subject to the complaint is more than 6 months in the past and, in the opinion of the Monitoring Officer, no reasonable explanation for delay has been provided by the Complainant.
- 6.4. Where the Monitoring Officer believes that the complaint falls under the Code of Conduct to be considered they will notify and supply a full copy of the complaint to the Subject Councillor. The only exception to this will be where anonymity has been agreed, in which case the Subject Councillor will be provided with sufficient information in a form to allow them to understand the complaint being made against them.

7. ACCEPTANCE OF COMPLAINT

- 7.1. Where a complaint is valid and not otherwise rejected by the Monitoring Officer (see Section 6) they will:
 - i. Notify the Complainant that the complaint has been accepted as a formal complaint; and
 - ii. notify the Subject Councillor and supply a full copy of the complaint them.
- 7.2. The Subject Councillor will normally be given 10 working days to respond to the allegations made and give views on informal resolution. This can be extended as required, by agreement with the Monitoring Officer.

8. FACT FIND

- 8.1. The Monitoring Officer may, where they consider necessary to determine how to deal with a complaint, conduct an initial fact find on a matter. This may involve the Monitoring Officer (or their nominee) undertaking any of the following:
 - i. Speaking with any witnesses
 - ii. Speaking with the complainant to seek any additional information or ask any questions
 - iii. Speaking with the Subject Councillor to ask for their version of events

8.2. Any conversations will be solely for the purpose of trying to establish the facts of the event which has led to the complaint being made.

9. INFORMAL RESOLUTION

- 9.1. Where possible and appropriate the Monitoring Officer will try resolve a complaint informally. This may include one or more of the following:
 - i. the Subject Councillor providing explanation to the complainant of the circumstances surrounding the complaint.
 - ii. the Subject Councillor agreeing to attend relevant training or to take part in a mentoring process.
 - iii. the Subject Councillor accepting their conduct was unacceptable.
 - iv. the Subject Councillor offering an apology.
 - v. the Monitoring officer arranging mediation or conciliation between the Subject Councillor and the complainant.
 - vi. any other action capable of resolving the complaint.
- 9.2. Where the Subject Councillor makes a reasonable offer of informal resolution, but the Complainant is unwilling to accept the offer the Monitoring Officer can take this into account in deciding whether the matter merits any further action, including formal investigation.
- 9.3. Where the informal resolution is accepted by the Complainant then the matter will be closed, and the Monitoring Officer will confirm this in writing to the Complainant and the Subject Councillor.

10. WHERE INFORMAL RESOLUTION IS NOT POSSIBLE

- 10.1. Where informal resolution has not been possible the Monitoring Officer may seek the views of the Independent Person as to whether a finding can be made on the Complaint with or without a formal investigation.
- 10.2. Where the Monitoring Officer, in consultation with the Independent Person, considers the facts and evidence provided are sufficient the Monitoring officer may proceed without a formal investigation. They may also determine that a fact find is necessary, rather than a formal investigation, in order to assist with determining the next steps.

Formal Investigation

- 10.3. Where a formal investigation is to be undertaken the Monitoring Officer will appoint an investigator. The investigator may be an officer of the Council, an officer of another council or a third party.
- 10.4. The Investigating Officer will follow any guidance issued by the Monitoring Officer on the investigation of complaints. The Investigator will follow the principles of

- proportionality and the cost-effective use of council resources when undertaking their investigation.
- 10.5. At the end of their investigation, the Investigating Officer will produce a draft report to be considered by the Monitoring Officer, in consultation with the Independent Person, to determine next steps.
- 10.6. The Investigating Officer will decide, having reviewed the initial paperwork:
 - What additional information they may need from the Complainant or Subject Councillor and may contact the parties directly to request it.
 - ii. whether they need to meet or speak to the Complainant.
 - iii. whether they need to meet or speak to any witnesses/third parties.
- 10.7. The Investigating Officer should provide an update and/or regular progress reports on the investigation to the Monitoring Officer. Updates on progress may be provided by the Investigator to the Complainant or Subject Councillor, where requested by them.
- 10.8. At any point during the investigation the Investigating Officer may refer the matter back to the Monitoring Officer if they believe that the matter may be resolved without a complete investigation, or that the complaint should be rejected. The Monitoring Officer will, in consultation with the Independent Member, determine next steps.
- 10.9. The Investigating Officer will be asked to produce a summary report if the Monitoring Officer agrees that the investigation should not continue. The Monitoring Officer will not be required to automatically share this report but will consider its release to subject councillor and complainant on a case by case basis in line with data protection requirements.

The Investigation Report

- 10.10. At the end of their investigation, the Investigating Officer will produce a draft report. The Investigating Officer may share, in confidence, all or part of the draft report with the Complainant and Subject Councillor for comments on matters of fact.
- 10.11. Having received and taken account of any comments made on the draft report, the Investigating Officer will submit their final report to the Monitoring Officer. An investigation should not normally take more than three months from point of instruction of the Investigator however it is recognised this may be outside of the control of the Investigating Officer.
- 10.12. Upon receiving the Investigation Report, the Monitoring Officer will decide, in consultation with the Independent Person:
 - i. whether to take no further action.

- ii. to conclude the complaint and determine sanctions without reference to the Standards Committee;
- 10.13. The Monitoring Officer may refer the matter to the Standards Committee where they consider that the matter is one or more of the following:
 - i. very serious.
 - ii. a conflict of interest has arisen.
 - iii. the matter is particularly complex.
 - iv. the matter is potentially going to attract a high level of public interest.
 - v. the matter is politically sensitive.

II.SANCTIONS

- 11.1. Where a Subject Councillor is found to have breached the Code of Conduct the following sanctions are open to the Monitoring Officer / Standards Committee as they consider necessary to promote and maintain high standards of conduct:
 - i. Report their findings to full Council for information and noting.
 - ii. Recommend to full council that the Subject Councillor should be censured.
 - iii. Require the Subject Councillor to provide an apology.
 - iv. Request the Subject Councillor remove any social media content which led to the complaint.
 - v. Recommend to the Subject Councillor Group Leader (or in the case of ungrouped members recommend to Council) that they are removed from any or all committees or sub committees of the Council.
 - vi. Recommend the Group Leader remove the Subject Councillor from any positions they hold on Committees/Cabinet.
 - vii. Requiring the Subject Councillor to attend training.
 - viii. Recommend to full Council or Cabinet that the Subject Councillor be removed from all outside appointments to which they have been appointed or nominated to
 - ix. Place such restrictions on the Subject Councillor's access to staff, buildings or parts of buildings which may be reasonable in the circumstances.
 - x. withdraw facilities (only where this is an appropriate response in the context of the acts complained of and must not prevent the Subject Councillor from carrying out their duties as a Councillor).
 - xi. bar from the offices and put on single point of contact (only where this is an appropriate response in the context of the acts complained of and must not prevent the Subject Councillor from carrying out their duties as a Councillor).
 - 11.2. The Monitoring Officer and the Standards Committee have no power to suspend or disqualify the Councillor or to withdraw any Special Responsibility Allowances to which the Councillor may be entitled under the Council's Members' Allowances Scheme.

11.3. Any sanctions applied will only commence after the appeal period has expired and any appeal has been concluded.

12. OUTCOME: DECISION OF THE MONITORING OFFICER

- 12.1. The Monitoring Officer will issue a written decision to the Complainant and the Subject Councillor explaining:
 - i. the reasons for the decision
 - ii. any sanction applied (see paragraph 11)
 - iii. setting out any other action that may need to be taken.
- 12.2. This will be sent to the Complainant and the Subject Councillor and copied to the Chief Executive.
- 12.3. The Monitoring Officer will include a summary of the Independent Person's views.

13. OUTCOME: REFERRAL OF THE MATTER TO COMMITTEE

- 13.1. Where the Monitoring Officer considers the matter should be referred to the Standards Committee ("Committee") for determination they will convene a meeting of the Committee as soon as reasonably practicable.
- 13.2. The Monitoring Officer shall prepare a summary report for the Committee detailing:
 - i. The complaint and information supporting it.
 - ii. The provisions of the code engaged by the allegations.
 - iii. Any comments of the Subject Councillor.
 - iv. A summary of the findings of the investigation report.
 - v. A summary of the views of the Independent Person.
 - vi. Where the Monitoring Officer considers appropriate, recommending any possible sanctions to Committee.
- 13.3. The Independent Person is invited to attend all meetings of the Sub-Committee.
- 13.4. Committee will consider, based on the report of the Monitoring Officer and views of the Independent Person, the recommendation before it with a view to concluding whether the Subject Councillor's conduct constitutes a breach of the Code of Conduct.
- 13.5. Where no breach is found the Committee will conclude that the complaint is not upheld and provide reasons for such decision.
- 13.6. Where breach is found the Committee will confirm that the complaint is upheld, provide reasons for such decision, and determine the sanctions to be applied.

- 13.7. Before reaching a decision on sanctions, the Committee will consult with the Independent Person and consider any representations and advice of the Monitoring Officer.
- 13.8. Following the meeting of the Committee the Monitoring Officer will draft and seek agreement of the Chair and Vice-Chair as to the Decision Notice within 7 working days of the meeting. Once agreed the Monitoring Officer will send out the Decision Letter to the Complainant and Subject Councillor confirming the outcome of the Committee.

14. PUBLICATION

- 14.1. Where the subject councillor is found to be in breach of the code, the outcome of the complaint will be published on the Council's website once the Complainant and Subject Councillor have been notified.
- 14.2. The Monitoring Officer will decide if any redaction is necessary in respect of the above documents.

15. APPEAL

15.1. There is no right of appeal against the decision of either the Monitoring Officer or the Committee.

16. WITHDRAWAL OF A COMPLAINT

16.1. If a complainant withdraws a complaint at any time prior to a decision the complaint cannot continue as there must be a written complaint to act upon.

17. REVISION / AMENDMENT OF THESE ARRANGEMENTS

- 17.1. The Monitoring Officer may, in consultation with the Chair of Audit & Governance Committee, revise these Arrangements, as they consider appropriate, to enable the process to be dealt with efficiently.
- 17.2. Any such revisions are to be reported to the next meeting of full Council.
- 17.3. These Arrangements shall be reviewed where there is a change in law or where circumstances warrant an earlier review.

Audit and Governance Committee



Date of meeting: 20 March 2023

Title of Report: Risk Management Monitoring Report / Scrutiny

Update - March 2023

Lead Member: Councillor Mark Shayer (Deputy Leader and Cabinet Member for

Finance and Economy)

Lead Strategic Director: Giles Perritt (Assistant Chief Executive)

Author: Ross Jago, Head of Governance Performance and Risk

Contact Email: Ross.jago@plymouth.gov.uk

Your Reference: RS/RMMar22

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

The attached report provides an update on the Strategic register for the organisation.

Strategic Risk Register

The total number of strategic risks being managed is 22. Six risks have a rating of Red; these relate to responding to Council expenditure, the growing volume and complexity of demand on the Children, Young People and Families Service, IT supply chain constraints, cyber-attacks, lack of adult social care workforce, accounting methods concerning a pension transaction and the Sustainable Drainage Systems (SuDS) Approval Body.

Risk number 17 "Risk of failure to deliver the range of housing to meet Plymouth's need" has had its risk score decreased to 9 and is now green.

Risk number 6 "Risk to vulnerable children and young people in the care system" has been reported as green at the last two reviews and now is considered sufficiently mitigated and has been moved to the Operational Register.

Risk @ Scrutiny

The Performance Finance and Customer Focus, Education and Children's Social Care, Health and Adult Care and the Growth and Infrastructure Overview and Scrutiny Committee Overview all considered risks pertinent to the committee's terms or reference in the most recent cycle of meetings. The risk register also formed part of budget scrutiny recommendations. There were no specific recommendations resulting as initial reviews of the risk register have resulted in items scheduled for future meetings.

Recommendations and Reasons

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The Audit and Governance Committee is recommended to note the current position with regard to the Strategic Risk Register.

Reason: As part of the Committee's responsibility for monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.

Alternative options considered and rejected

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Strategic Risk and Opportunity Register includes links to the Corporate Plan priorities – monitoring of control action for strategic risks therefore contributes to the delivery of the council's core objectives.

Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report but control measures identified in Directorate Operational Risk and Opportunity Registers could have financial or resource implications.

Financial Risks

None arising specifically from this report but control measures identified in Directorate Operational Risk and Opportunity Registers could have financial or resource implications.

Carbon Footprint (Environmental) Implications:

Failure to deliver against actions in the Climate Emergency Action Plan and Corporate Carbon Reduction Plan are included on risk registers.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The risk registers specifically supports the council's overall governance arrangements.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if app If some/all of the information is confidential, you must if why it is not for publication by virtue of Part 1 of Schedu of the Local Government Act 1972 by ticking the relevo					t indicate dule 12A	
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Α	Risk Monitoring Report							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Page 135

Title of any background paper(s)	Exemption Paragraph Number (if applicable)								
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Originating Senior Leadership Team member: Giles Perritt

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 15/03/2023

Cabinet Member approval - Councillor Mark Shayer

Date agreed: 15/03/2023

APPENDIX A - RISK MANAGEMENT MONITORING REPORT

March 2023



Introduction

This report provides the position with regard to the strategic and operational risk registers.

The next formal review of the strategic risk and opportunity register will take place in June 2023, the operational risk register will also be reviewed at this time. Risk registers are however a live document and will be regularly discussed at Directorate Management Teams.

Strategic Risk Register - Monitoring Summary

The updated strategic risk register is summarised below. The register offers additional information including detail on Key Controls and Sources of Assurance and how progress against mitigation will be measured.

Strategic Risk Register

During this review of the strategic risk register there has been three new risks added, bringing the total strategic risks managed to 22. The new risk relates to funding and governance issues in relation to the Peninsula Sub-National Transport Body and the creation of a Sustainable Drainage Systems (SUDs) Approval body. In addition "Response to Ofsted Focused Visit to the Front Door does not result in required improvements" has been added to the register. It is currently reported as amber and will remain on the strategic register until further visits by OFSTED, anticipated to be within the next twelve months.

In total there are six red risks. These are shown below;

ı	The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).
2	Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services
3	A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.
4	IT supply chain constraints results in increased costs and extended lead times for equipment.
5	Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.
20	Lawful Accounting Treatments in Respect of the Pensions Fund
21	The Government intends to implement Schedule 3 of the Flood and Water Management Act in 2024 and put in place a Suds Approval Body (SAB). Schedule 3 provides a This is highly likely to be introduced from 2024 and will be a risk for the local authority from 2024/2025. No provision has yet been made in the MTFP (which is under review).

Risk Register No.	Description	Mitigation	Previous risk rating	Current risk rating	Risk Owner
	The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).	 The Council has also taken the following steps to adopt a 5 year MTFP and has adopted a system of monthly financial reporting to Directorate Management Teams, Corporate Management Team, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. The Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports. This will also include any significant issues which emerge from the cost of living crisis. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control. It was of critical importance to the Council and City that CMT and Cabinet found mitigations to reduce the costs of the Council to fully mitigate the forecast budget shortfalls in future years. The Deputy leader/PFH for Finance is meeting each week with \$151 Officer and Strategic Director for Customer & Corporate Services to review the 2022/23 Monitoring position. In year, at Month 10 the forecast overspend has reduced to £1.318m. At the Full Council meeting 27 February 2023, the revenue and capital budget 2023/24 was approved, including setting the Council Tax charge for 		25	David Northey

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		the financial year. The \$151 Officer is now ensuring the 2023/24 budget allocations and resource assumptions are incorporated into the 5 year MTFP. Further refinement of the Capital Programme and reports are being reviewed.			
2	Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	 Additional social work capacity agreed to support effectively delivery of casework. Recruitment is ongoing to some of these posts on a permanent basis. Fostering Project Delivery Plan in place to increase foster carer resource to reduce costs. High cost placement review takes place on a frequent basis each month to ensure all costs closely monitored and reduced. Ongoing rigour in decision making to manage demand via Placement Panel which takes place weekly and overseen by a dedicated service manager with responsibility for reducing costs of individual placements and ensuring timely step down. Ensuring action plan milestones are reached via monthly monitoring at Programme Board/Finance DMT. Service redesign is occurring to ensure an operating model that supports much earlier intervention and prevention of children coming into care wherever possible. 	20	20	Sharon Muldoon
3	A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.	 LGA Cyber 360 review completed in March - review findings and recommendations due in April. Cyber 360 recommendations will be included in the Cyber improvements plan overseen by the Cyber Governance Board and Optimising our Assets Programme Board Cyber security briefing for SLT planned in April to raise awareness further of the threat and requirements of staff to reduce the risk of attack. Hackney Council are due to speak about their experience recovering from a major ransomeware attack Cyber security awareness week planned for May 23, including a business continuity exercise, Member awareness training and staff briefings 	20	20	Andy Ralphs

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		 Finance, Customer and Performance Scrutiny Panel reviewed PCC cyber security and readiness in February and have requested a further update (date TBC) IT Health check (previously PSN certification) testing to take place in March, remediation to be included into the Cyber improvements plan 			
4	IT supply chain constraints results in increased costs and extended lead times for equipment.	 PCC to pre plan as far ahead as possible on any purchases of technical goods or services, notifying Delt during the planning phase of such work. Delt have been provided with the Capital plan for 2022/23 Delt engagement with current suppliers and escalation of any changes to current prices / lead times Assessment of alternative suppliers 	20	20	Andy Ralphs
5	Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.	 Health & ASC Winter Plan which will bring in additional elements of contingency planning Establishment of Community Capacity Command Centre to provide greater oversight of market and capacity Local Authority has set up a Care Company to ensure continuity of provision in the event of market failure Care Home liaison work being undertaken by Livewell Southwest, to increase levels of support to Residential and Nursing care marker Risk to be continued to be monitored through contract monitoring and market intelligence Supporting market wide workforce recruitment / retention across residential and domiciliary sector Remodelled bed bureau launched to support Care Homes to manage complex discharge cases Incentive payments to workforce. Managing risks for the domiciliary care market 	20	20	Anna Coles

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6	Insufficient economic performance to sustain the City's economy and growth plans.	 We are seeking to maximise all opportunities to secure additional funding for economic initiatives including focussing on creating new jobs in the Blue and green economy. The initiatives include: The Plymouth and South Devon Freeport, National Marine Park. We will continue to maximise all funding opportunities for our city region. 	16	16	Anthony Payne
7	Ongoing COVID-19 rates (with potential for further peaks)	 The key mitigation of vaccination has now reached around 85% (one or more doses) of those eligible. There have been reductions in the mitigations (reduced testing, support payments and legal need for self-isolation) and this has created uncertainty around case rates and the risk of delayed detection of new variants. The longstanding advice to the general public remains in place and is re-emphasised at regular intervals. 	16	16	Ruth Harrell
8	Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health.	 Persistent action across the Council is required at many levels to tackle inequalities by addressing the wider detriments of health. Failures of NHS England to provide required capital funding for the West End Health Hub (Cavell Centre) is likely to reinforce inequalities experienced within the City Centre area, the Council continues to lobby government in an attempt to resolve this issue. The Public Health Team and partners continue to work with employers and schools to influence healthier lifestyles. The team continues to embed and promote the national One You campaign across the city. The 'five ways to wellbeing' has been adopted across the City as the single approach to improving mental wellbeing. The work that started in year five on 'people connecting through food' is ongoing with a number of new initiatives developed. Subsequently, Thrive Plymouth Year seven was launched in May 2022 with a focus on Listening and Reconnecting. 	16	16	Ruth Harrell

		 The Local Care Partnership priorities are being refreshed and includes tackling inequalities. Both of these routes bring partners together to understand the issues and the steps needed to tackle health inequalities in the City. In addition to this, to support the work of the Council's crossparty Child Poverty Action Plan Working Group, a high level review of the evidence of the impacts of the pandemic on the mental wellbeing of children and young people has been carried out. As already stated, the primary role of the ODPH and the Public Health Team in particular is now to minimise the impact of COVID-19 in the city therefore protecting most deprived communities from further negative impacts. 			
9	Increased and sustained pressure on Adult Social Care budget due to increased costs of providing care, growing numbers of people and increased complexity of need.	 Real time management information Established Review Programme Commissioning Intentions and Commissioning Activity to develop new models of care Budget containment meetings in place Focus on reviews and reablement to right size packages of care including focused work on 18 to 64's Emergency Plan to cover need to prioritise critical services 	16	16	Anna Coles
10	Adult Social Care (ASC) Reforms - There are a number of reforms to ASC that have created significant financial uncertainty in terms of being able to accurately understand the cost, volume and funding that will be made available to deliver these reforms.	 This risk will continue to be monitored closely as the reform programme progresses. We will assess the impact of Charging reforms on 'trailblazer' local authorities who are early adopters of these reforms. We will continue cost of care exercises locally, including working with our local care market to better understand impact on finance and resources We will continue engagement with Local Government Agency and regional and national groups (such as ADASS) to determine approach to managing all reforms. We will continue to seek to understand impacts of all reforms through our established reform programmes, and will consider potential use of Offers and Asks due to cost of new burdens on the service. 	16	16	Anna Coles

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II	The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities	 Targeted support for Children Services – resourcing and capacity Grading review Review of People Strategy for 2024 Recruiting to key chief officer roles Reviewing Recruitment and retention strategy Improving induction processes Reviewing market factor supplements Support for employee wellbeing 	15	15	Andy Ralphs
12	The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations results in loss of trust in the Council and/or financial penalty from the Information Commissioner's Office (ICO)	 Continued roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk. Improved contract management with partners. Improve Privacy notice templates and ensure all gaps are addressed Standardised breach management processes distributed to key staff. Reviewed policies to be communicated to all staff 	15	15	Andy Ralphs
13	Sustainability of School Improvement Partnership	 Plymouth Education Board (PEB) (and sub groups) has been reviewed with the new Board started, strengthening education partnership. School Causing Concern procedure has been reviewed and strengthened. These have lead to a partnership of distinct interventions to drive improvement and raise achievement. Cause for concern meetings, Early Years Board, Primary and Special School Partnership, Inclusion Strategy Board have added strength to the work governed by PEB. Proposed Inclusion Mark for the City to celebrate inclusion. The Plymouth Standards Partnership Recovery & Improvement Plan: A key priority is work to support disadvantaged pupils. The work of the Plymouth Commission has been extended to focus on attainment for secondary aged pupils and school improvement. Schools have been offered a catch up premium of £80 per pupils for most schools, to assist with programmes of learning to support pupils who require additional support 	15	15	Sharon Muldoon

		following Covid. Schools have been sent a survey to confirm how this has been spent and the effectiveness of any programmes introduced. Summer 2021 GCSE, AS and A level were teacher assessed with the reintroduction of exams in 2022. Initial unvalidated indications are that 2022 examination outcomes are very positive and show an improving Plymouth picture against national benchmarks.			
14	The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.	 Reviewing of risk assessments and DSE assessments to ensure compliance Review of mandatory training to ensure compliance Targeted audits across the council IOSH for senior managers Development at SLT and Team Plymouth 	15	15	Andy Ralphs
15	Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.	 The Council have partnered with the Waste Industry body WRAP to jointly commission external support to assess the likely impacts and opportunities of the Environment Act. The funding for this work has been wholly met by DEFRA. The initial report was completed with broadly inconclusive findings. The scope of ongoing work is as follows: To understand the implications of, and ensure the Council meets, the government's requirements as proposed in the Resources & Waste Strategy To help inform the future design of the Council's household waste collection service and understand the implications in terms of reprocessing infrastructure To understand the likely impact that changes to the current household waste collection service will have on the Council's recycling performance To consider where operational efficiencies can be achieved whilst still delivering a service that meets the needs of its residents and allows the Council to maintain high levels of customer satisfaction To appraise whether existing waste management infrastructure and assets in Plymouth, and the surrounding area, are likely to be sufficient for future 	12	12	Anthony Payne

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16	Risk of failing to meet carbon reduction targets to reach net zero by 2030.	requirements; and if they are deemed not to be then to provide options to inform the Council's waste strategy and spatial planning. • Year 1, 2 and 3 CCRPs and CEAPs have been prepared to date, covering the period 2020-2022. • The focus of the CCRP is on the things in the direct control of the City Council; the focus of the CEAP is on the wider things the Council is able to influence as well as some of the climate actions of City partners. • The Climate Emergency strategy and action plan process is currently under review, with a view to making revisions from 2023, providing a more strategic approach.	12	12	Anthony Payne
17	Risk of failing to deliver the	 Growth and Infrastructure Overview and Scrutiny Committee receive 6 monthly performance updates Strategic Land Review completed and released 50 housing sites 	12	9	Anthony
	range of housing to meet Plymouth's need	 to the market. Established Housing Investment Fund in Plan for Homes 3 to support interventions to unlock housing delivery. Working with Homes England to develop a Placed Based Strategic Partnership to unlock and deliver a pipeline of housing sites, support City Centre renaissance and to help align Government funding with housing site opportunities. Proposal to establish a tripartite partnership between DLUHC, HE and PCC/S&WD with the vision to transform the pace and quality of housing provision to fully meet housing need including the 35% urban uplift. Work with Homes England has led to agreed solutions and Deeds of Variations on four legacy sites to unlock delivery. Launched the Plymouth Eco-Homes Programme to support building a pipeline of over 250 low-carbon and net-zero homes across Plymouth. Embarking on our Direct Delivery of new homes to drive up good design, quality and sustainable living, and identifying a pipeline of future sites to support our direct delivery ambitions. 			Payne

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		 Developed two Housing Partnership Agreements with key Housing Association Partners to maximise their investment and delivery in the city. Considering site acquisitions and provided funding to help unlock stalled JLP sites. Reviews of JLP sites completed and monitored, with delivery strategies being implemented. Secured £2.2m Brownfield Land Release Funding to help unlock 325 affordable homes on PCC owned land. Ongoing innovation to improve the proactive and fast track approach to planning to deliver housing. Monitoring development activity in the construction sector to understand the effect of COVID-19 on housebuilding. We will manage the 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions. We will work with DLUHC and Homes England. Continuing to bring long term empty homes back into use. 			
18	Risk to vulnerable children and young people in the care system.	 Continue to drive forward change across the partnership in relation to whole family working, engagement with the Early Help Assessment Tool process, data exchange and achieving the outcomes required within the Troubled Families Outcomes Plan. 	6	6	Moved to operational register.
19	Viability of commercial bus operators	 The Council continues to pay concession fare reimbursement above actual level of travel, although this is reducing in line with Government guidance by 5% every 2 months until such time it is less than reimbursement based on actual trips. To address loss of commercial services from 4th September, a virement from concession fares reimbursement budget to noncommercial services budget of £557K in 23/24 to pay for noncommercial services secured through competitive tender and enable all areas of Plymouth to continue to have a bus service, at least on Mondays to Fridays. To make the budget go as far as possible, routes have been redesigned where possible to be able to use developer 	15	15	Anthony Payne

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		 contributions to part or wholly fund some non-commercial routes. Schemes continue to delivered through the Transport Capital Programme to encourage patronage returning to pre-Pandemic levels as soon as possible. Increased commitment to non-commercial services is up until March 2024. Tenders will be sought late in 2023 when it is envisaged that commercial viability on a number of routes will have improved. 			
20	Lawful Accounting Treatments in Respect of the Pensions Fund	Mitigations are limited to different legal accounting methods	N/A	25	David Northey
21	The Government intends to implement Schedule 3 of the Flood and Water Management Act in 2024 and put in place a Suds Approval Body (SAB). Schedule 3 provides a This is highly likely to be introduced from 2024 and will be a risk for the local authority from 2024/2025. No provision has yet been made in the MTFP (which is under review).	 This is proposal and would not be implemented until 2024. Previously when the LLFA's were established, ring fenced government funding was provided for the first 3 years on a reducing basis. Consultation likely in 2023 and therefore responses need to reflect the need for funding to take on this function. The key considerations will be: Policy requirements; national standards and guidance requirements; cost and funding; future working with partners; skills and capability of local authority to take on this function. 	NEW	20	Anthony Payne
22	The Department for Transport (DfT) has set out expectations of the Peninsula Transport Body (STB) for a core team of staff representing a single point of contact between the STB and the DfT and perform a wider strategic role supporting individual Local Transport Authorities.	 The DfT has restated their commitment to ensure that the host authority for these positions will not be liable for all costs relating to these posts and any redundancies should they be required. A meeting between the STB, DfT and PCC will take place to understand whether DfT are able to honour their commitment to cover cost of salaries and underwrite cost of redundancies before commencing recruitment. 	NEW	8	Anthony Payne

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	Currently the DfT is unable to confirm funding to cover 23/24 salary costs.				
23	Response to Ofsted Focused Visit to the Front Door does not result in required improvements.	 A new Improvement Board is in place for the Children's Services across the Plymouth (March 2023). Service Director chairs a fortnightly Improvement Board for the Front Door which has partner engagement (Feb 23). Improved capacity in management structures has been in place since January 2023. Review of processes and focus on performance improvement in place. Key metrics are reviewed alongside Audit activity to test quality of decision making. 	NEW	9	Sharon Muldoon

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Audit and Governance Committee



Date of meeting: 20 March 2023

Title of Report: Update reference Tracking Decision - Minute 60 of

16 January 2023

Lead Member: Councillor Andy Lugger, Chair of Audit and Governance Committee

Lead Strategic Director: Giles Perritt (Assistant Chief Executive)

Author: Ross Jago, Head of Governance Performance and Risk

Contact Email: Ross.jago@plymouth.gov.uk

Your Reference: ECC/01/23

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

This report provides an update on the meeting of the Task and Finish group charged with the design and implementation of a consultation on the electoral cycle.

Proposed Methodology

Members of the Task and Finish Group considered whether there should be any restrictions to who may be invited to contribute to the consultation. Following discussion the Task Group proposed that all residents of Plymouth should be able to contribute to the consultation.

Following discussion it was agreed that the following methods should be used to collect consultation feedback / responses.

- Online questionnaire
- Hard copy in locations across the City
- Supporting engagement events with key stakeholders

The process would be undertaken in line with the following timetable -

Activity	Date	Comment
Phase I — Pre- Communication / Advertising	22 May – 05 June 2023	Awareness raising/information sharing
Phase 2 - Consultation	05 June – 16 July 2023	6-week fieldwork and accompanying engagement activity

Final findings report and briefings complete	25 August 2023	Final findings report complete
Phase 3 - Feedback through Council communications	08 September 2023	Publication for Council Associated Communications and direct messaging to stakeholder groups
Council	18 September 2023	Full council debate on the issue.

Proposed Question

Members discussed the proposed question at length due to the requirement to remain as balanced and as straight forward possible. The task group were keenly aware that subtle differences in the phrasing of a question or the response options can affect responses.

As a result of the discussion it was agreed that the following question would be proposed for approval.

Which option would you prefer for Plymouth residents to elect their councillors?

- Change to 'Whole Council Elections'
- Keep the current system
- I have no preference

Members requested an "explainer" alongside the question to ensure that respondents understood what whole / current system means.

Members also agreed an open text option to capture the reasons for the participant's response.

Alongside asking for the participants' postcode to ensure good representation from across the city, demographic information on age and disability would be collected as part of this consultation.

Communications

The following communication objectives were agreed:

- Raise awareness of the current election cycle model and the pros/cons of moving to a four yearly approach
- Encourage residents to have their say striving to have representation from across the city
- Ensure that all other stakeholders in the city are aware of the consultation and the implications to local decision making

The supporting information will focus on the following:

- Why people should give their views
- What are the pros and cons of either option
- How people can give their views online form / hard copy in libraries
- The process for decision making

The task group also agreed that information should be supplied in relation to the electoral review and that officers should ensure that an explanation and clarity is provided in respect of how Councillors are currently elected and specifically how it works in "two member" Wards.

In preparation for the launch of the consultation on 5 June 2023, the views of the task group will be sought in relation to the "explainer" which will detail the current system of election and the possible alternative, along with communication approaches.

Recommendations and Reasons

The Audit and Governance Committee is recommended -

- 1. to approve the methodology as detailed above;
- 2. to approve the consultation question as follows -

Which option would you prefer for Plymouth residents to elect their councillors?

- Change to 'Whole Council Elections'
- Keep the current system
- I have no preference
- 3. to delegate to the Task and Finish Group the final approval of the communications approach in preparation of the communication campaign to begin ahead of the launch of the consultation on 5 June 2023.

Reason: To comply with the Council resolution of the 21 November 2022 (minute 24 refers).

Alternative options considered and rejected

None. As a committee of council the Audit and Governance Committee is required to comply with the Council resolution.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Corporate Plan commits the Council to engaging with and listening to our residents, businesses and communities. The Council's values include a commitment to Plymouth being a place where people can have their say about what is important to them, and where they are empowered to make change happen. The recommendations of this report seek to deliver these commitments in respect of a key element of the Council's democratic arrangements.

Implications for the Medium Term Financial Plan and Resource Implications:

The costs associated with a public consultation and analysis of the results will be met from within existing revenue resources.

Financial Risks

None arising directly from this report.

Carbon Footprint (Environmental) Implications:

None arising directly from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

None arising directly from this report

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
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Background papers:

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exem	Exemption Paragraph Number (if applicable)								
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.									
	ı	2	3	4	5	6	7			
Full Council minutes, 21 November 2022 (Minute 24 refers).										
Audit and Governance Committee minutes, 16 January 2023 (Minute 60 refers)										

Sign off:

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Originating Senior Leadership Team member: Giles Perritt

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 16/03/2023

^{*}Add rows as required to box below