



Oversight and Governance

Chief Executive's Department
Plymouth City Council
Ballard House
Plymouth PL1 3BJ

Please ask for Jamie Sheldon
T 01752 668000
E jamie.sheldon@plymouth.gov.uk
www.plymouth.gov.uk
Published 12 March 2021

AUDIT AND GOVERNANCE COMMITTEE

Monday 22 March 2021
3.00 pm
Virtual meeting

Members:

Councillor Parker-Delaz-Ajete, Chair
Councillor Nicholson, Vice Chair
Councillors Jordan, P Smith and Stevens.

Independent Member – Mr Shipperley

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 - [Get Involved](#)

Tracey Lee
Chief Executive

Audit and Governance Committee

Agenda

1. Apologies

To receive apologies for non-attendance submitted by Committee Members.

2. Declarations of Interest

Members will be asked to make any declarations of interest in respect of items on this Agenda.

3. Minutes

(Pages 1 - 8)

To confirm the minutes of the meeting held on 30 November 2020.

4. Chair's Urgent Business

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

5. External Audit - 2019/20 Audit Plan - Update

(To Follow)

6. External Audit - Audit Progress Report

(To Follow)

7. Internal Audit Plan 2021/22

(Pages 9 - 28)

8. Treasury Management Practices, Principles and Schedules 2021/22

(Pages 29 - 84)

9. Purchasing Card

(Pages 85 - 104)

10. Internal Audit Report: Executive Office - Electoral Registration 2020/21

(Pages 105 - 122)

11. Operational Risk & Opportunity Management Update Report

(Pages 123 - 128)

12. Work Programme - verbal

Audit and Governance Committee

Monday 30 November 2020

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.

Councillors Jordan, Riley (substitute for Councillor Nicholson), Stevens and Tuffin (substitute for Councillor Pete Smith).

Co-opted Representative: Mr Shipperley.

Apologies for absence: Councillors Nicholson and Pete Smith.

Also in attendance: Carolyn Haynes (Financial Controller), Paul Looby (Head of Financial Planning and Reporting), Andrew Loton (Head of Performance and Governance), Paul Dossett (Grant Thornton), Chris Flower (Finance Business Partner), Brenda Davis (Audit Manager), Rob Sowden (Senior Performance Advisor), Rob Hutchings (Head of Devon Audit Partnership), Brenda Davis (Audit Manager), Ken Johnson (Counter Fraud Services Manager) and Helen Rickman (Democratic Advisor).

The meeting started at 3.00 pm and finished at 4.30 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

94. **Declarations of Interest**

There were no declarations of interest made by Members in accordance with the code of conduct.

95. **Minutes**

The minutes of 21 September 2020 were approved as an accurate record of the meeting.

96. **Chair's Urgent Business**

There were no items of Chair's Urgent Business.

97. **Statement of Accounts**

Carolyn Haynes (Financial Controller) presented the Statement of Accounts to the Committee. The following key points were highlighted:

- statutory deadlines for the approval process of the Statement of Accounts had been extended due to the impact of Covid 19 on local authorities whereby the deadline for the Council to publish its draft account was 31 August 2020 (and not 31 May 2020), and the deadline for the publication of its final audited accounts was now 30 November 2020 (and not 31 July

- 2020);
- formal audit of the accounts for 2019/20 commenced on 7 September 2020; the 30 working days period in which the Council had to make the draft accounts available for public inspection started on 1 September 2020;
- there was one error in the report which referred to the 'Letter to Management' in appendix b, however this was not brought to committee;
- the Council's outturn position was reported to Cabinet on the 9 June 2020; this showed a small overspend of £0.005m (before any adjustments). Accounting adjustments through the Statement of Accounts had changed the reported outturn as statutory adjustments were required to be applied. The General Fund Balance was largely unchanged.

Under this item Andrew Hardingham (Service Director for Finance) offered his thanks to the team at both Plymouth City Council and Grant Thornton in compiling and auditing the accounts during such a challenging time throughout the pandemic.

It was recommended that the delegation of the Statement of Accounts, should any issues be identified during the GTUK audit (after the date of the committee), to be also in consultation with the Vice Chair – this was agreed by Members.

The Audit & Governance Committee agreed to approve the Statement of Accounts for 2019/20 attached as Appendix A with the understanding that they were currently being audited by Grant Thornton UK. Should any issues be identified during the GTUK audit and after the date of this committee, Members delegated the approval of the Statement of Accounts to the Chair and Vice Chair of the Audit & Governance Committee, in consultation with the Service Director for Finance.

98. **Annual Governance Statement (To Follow)**

Rob Sowden (Senior Performance Advisor) presented the Annual Governance Statement to the Committee. Key points highlighted included:

- the purpose of the Annual Governance Statement was to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process; the AGS referred to work undertaken for 2019/20;
- the AGS identified the outcome of the review of the effectiveness of Plymouth City Council's governance arrangements, covering internal audit, internal control and risk management systems and also identified key delivery and improvement areas together with details of action being taken to address governance issues related to those areas.

The Audit and Governance Committee agreed to:

- I. note the processes adopted for the production of the 2019/20 Annual

Governance Statement;

2. endorse the adequacy and effectiveness of the system of internal audit;
3. approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

99. **Progress Update (To Follow)**

Paul Dosset (Grant Thornton) presented the Progress Update report to the Committee. Key points highlighted included:

- Grant Thornton, the Council's external auditors, were required to conduct the audit remotely due to Covid 19, and whilst progress had been made in several areas it was considered that the current audit was estimated at 50% signed off despite deadlines being elongated; this was a higher level of sign off than other firms were expected to achieve;
- the key areas of audit focus and substantive testing focused upon the following significant risk areas of the financial statements:
 - valuation of property, plant and equipment;
 - valuation of pension liability;
 - accounting treatment for Government Grants;
- Grant Thornton had completed the interim audit work and would continue to work with officers to close down as many areas of the audit as possible in order to sign off the accounts.

The Committee noted the update.

100. **Redmond Review - Independent Review of the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting**

Paul Looby (Head of Financial Planning and Reporting) presented the Redmond Review (Independent Review of the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting) to the Committee. Key points highlighted included:

- as a result of concerns and issues raised within the world of local government, finance and external auditors regarding the external audit and statutory reporting process for the Statement of Accounts, the Government had tasked Sir Tony Redmond to undertake a review of the current arrangements. The review was currently with central Government and a formal response was awaited regarding recommendations contained within the report, and possible amendments;

- one recommendation in the report referred to the requirement for a new regulator to oversee the local audit process – this was broadly welcomed in terms of trying to improve consistency with the audit process, as well as taking ownership of the fees structure. The Council had incurred additional costs of over £77,000 linked to the audit of the 18/19 accounts and officers were in discussion regarding additional fees for the current audit. Whilst it was recognised that fees were increasing due to the demands on the external auditors, this was something that the council had no control over and were required to pay;
- the review recognised the challenge in meeting the reporting deadline for the accounts and recommended additional time to sign off the audit with the July deadline moving to the end of September however the local authority would still be required to work to the May deadline and would be expected to close the accounts within two months;
- the Statement of Accounts was recognised as a big document which was technically challenging due to the rules, regulations and code which needed to be adhered to. The recommendation for a simplified Statement of Accounts was welcomed however this would be an additional statement for officers to complete and would also be required to be completed by the May deadline.

The Committee noted the report.

101. **Treasury Management Strategy 21/22 (To Follow)**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Strategy 21/22 to the Committee. Key points highlighted included:

- the Treasury Management Strategy set out the management of the Council's cash flow, borrowing and investment, as well as the associated risks;
- the report set out the response to the current economic situation and the impact of Covid 19, the effects on the financial crash and the Bank of England dropping interest rates to .1% – the lowest in history. The Council had a large amount of borrowing and the reduction in interest rates had reduced costs; the Council had been advised to reduced investment in high street banks.

The Audit and Governance Committee agreed:

1. that any potential amendments made by officers to the Treasury Management Strategy 2021/22, in light of the results of the PWLP Consultation, is delegated and approved by the Chair and Vice Chair in consultation with the Strategic Director for Finance;
2. To recommend the Treasury Management Strategy 2021/22 (incorporating the authorised limits, operational boundaries and prudential indicators) to

the Council for approval. (This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.)

102. **Capital Financing Strategy 21/22 (To Follow)**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Capital Financing Strategy 21/22 to the Committee. Key points highlighted included:

- that effective financial management was fundamental to the delivery of corporate improvement priorities. Treasury Management activity had a significant impact on the Council's activity both in revenue budget terms and capital investment and was a key factor in facilitating the delivery against a number of corporate priorities;
- the Capital Financing Strategy covers the capital programme; capital budget; governance; capital financing; affordability and risk management.

The Audit and Governance Committee agreed:

1. that any potential amendments made by officers to the Capital Financing Strategy 21/22 is delegated and approved by the Chair and Vice Chair in consultation with the Strategic Director for Finance;
2. to recommend the Capital Financing Strategy 2021/22 to the Council for approval.

103. **Internal Audit Half Year Report (To Follow)**

Rob Hutchings (Head of Devon Audit Partnership) and Brenda Davis (Audit Manager) presented the Internal Audit Half Year Report to the Committee. The following key points were highlighted:

- the Internal Audit plan for 2020/21 was presented and approved by the Audit Committee in July 2020 but Covid-19 had presented considerable operational challenges to the Council which had inevitably introduced some different risks. Officers had worked with management and "flexed" the plan to incorporate new areas of work and recognised that there was less than six months available to complete the IA annual plan. Officers had identified and agreed areas which could be delivered as part of next year's audit plan or, were no longer required in order to provide an annual assurance opinion at the end of 2020/21;
- overall, based on work performed to date during 2020/21, the Head of Internal Audit's Opinion was of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework; ratings had been updated to fall in line with CIPFA ratings;
- there were challenges in completing the 2020/21 audit plan in the traditional manner and officers had developed different practices to enable an audit assurance. This included confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb

/ disrupt operational staff) and using data analytics generated from system data.

The Audit and Governance Committee agreed to:

1. review and note the findings within the report;
2. review and note the Head of Audit mid-year assurance opinion;
3. review and approve the in-year changes to the audit plan.

104. **Counter Fraud Half Year Report (To Follow)**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Half Year Report to the Committee. The following key points were highlighted:

- there had been a general upturn in fraudulent activity during the Covid 19 (C19) crisis. Many frauds which were often referred to as scams had adopted a C19 camouflage in order to play on people's fears and lack of knowledge. Fraud activity had already significantly increased in the years prior to C19, therefore an accurate picture of the direct effects of the current crisis on fraud statistics remained to be seen;
- counter-fraud arrangements were a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office ran a national data matching exercise, The National Fraud Initiative (NFI), every two years. The data submission for the latest 2020/21 exercise was underway and DAP were co-ordinating the extracts of relevant Council datasets, as defined by the Cabinet Office;
- there have been 235 allegations of fraud made so far this year resulting in 13 recommended prosecutions and 21 recommendations for cautions and other forms of sanction. Along with various compliance visits a total savings figure of £377,146.22 had been realised.

Key areas of questioning included:

- in relation to the potential increase in phone and internet fraud, how could the Council better publicise current scams and highlight to members of the public what to look out for?

The Audit and Governance Committee agreed to recommend that the Council publicise fraudulent activity schemes to members of the public in order to better inform them.

105. **Risk Management Annual Report (including Risk management Strategy (To Follow)**

Rob Sowden (Senior Performance Advisor) presented the Risk Management Annual Report (including Risk Management Strategy) to the Committee. Key points highlighted included:

- apologies that the Risk Management Annual Report was provided to the

Committee on the day of the meeting; processes would be put in place to prevent that happening again;

- the Annual Report focused upon 2019/20 and included information on how the Council responded in reviewing the Strategic Risk Register, specifically with regards to the impact of Covid 19. The risk register was first revised in May 2020 post the initial outbreak and was further reviewed in October 2020 – two risks has been escalated from the Operational Risk Register to the Strategic Risk Register, namely the risk of the adult social care market and provider failure, and the increased pressure on the adult social care budget due to demand and increased complexity of need;
- the annual report also provided an update on the risk and opportunity management strategy, and included updates on integrated assurance, and the performance management framework;
- the Risk Management Strategy provided a comprehensive framework and process designed to support members and officers in ensuring that the Council was able to discharge its risk management responsibilities fully. The strategy was reviewed annually to ensure it remained current and fit for purpose.

The Audit and Governance Committee agreed:

1. to note the Risk and Opportunity Management Annual Report;
2. to note the Strategic Risk Register Update;
3. approve the Risk and Opportunity Management Strategy 2020/22.

106. **Work Programme**

The Committee noted the work programme.

This page is intentionally left blank

Audit and Governance Committee



Date of meeting:	22 March 2021
Title of Report:	Internal Audit Plan 2021/22
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance & S151 Officer)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@plymouth.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

As a result of the Covid-19 pandemic there has been a period of national and local uncertainty to which the Council has responded in an unprecedented manner, quickly adapting to the rapidly changing circumstances and needs of the citizens of Plymouth. Whilst the Government have developed a roadmap out of current lockdown restrictions, there remain challenges ahead and it is essential that Internal Audit are responsive to the Council's needs in this ever changing landscape.

The Public Sector Internal Audit Standards (PSIAS) require that the Council should periodically prepare a risk-based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

We have liaised with senior management to develop the 2021/22 Audit Plan but it is essential that the plan can be flexed to incorporate, as appropriate, any new risks which may arise. Any changes to the 2021/22 Audit Plan will be brought back before this Committee.

Recommendations and Reasons

Members are requested to review and approve the Internal Audit Plan for 2021/22.

Alternative options considered and rejected

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Internal Audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

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 work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	DAP Internal Audit Plan 2021-22							

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 unpublished 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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.20.21.24	Leg	LS/36263/ JP/250221	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 24.02.2021											
Cabinet Member approval: Cllr Lowry (by email)											
Date approved: 10.03.2021											

This page is intentionally left blank

Internal Audit

Internal Audit Plan 2021-2022

Plymouth City Council Audit Committee

March 2021

Official



Robert Hutchins
Head of Audit Partnership



Auditing for achievement

INTRODUCTION	1
HIGH LEVEL AUDIT PLAN	2
PROPOSED AUDIT REVIEWS	3
FRAUD PREVENTION AND DETECTION AND INTERNAL AUDIT GOVERNANCE	9
APPENDIX 1 – AUDIT FRAMEWORK	10
APPENDIX 2 – ANNUAL GOVERNANCE FRAMEWORK ASSURANCE	11
APPENDIX 3 - AUDIT NEEDS ASSESSMENT	132
APPENDIX 4 - OUR AUDIT TEAM AND THE AUDIT DELIVERY CYCLE	13

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge and Mid-Devon councils and we aim to be recognised as a high quality internal public sector service provider. We work with our partners by providing professional internal audit service and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and senior management is the Council's Corporate Management Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership. The Audit and Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The "Chief Audit Executive" is responsible for developing a risk-based plan which considers the organisation's risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 3.

The need for robust and effective controls to ensure that resources are used to be best effect and deliver the authority's objectives has never been greater. Internal Audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and efficient.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Service Director for Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit and Governance Committee.

Expectations of the Audit and Governance Committee for this annual plan

Audit and Governance Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage for 2020/21.

In review of the above the Audit and Governance Committee are required to approve the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

High Level Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more agile and responsive to changing risks. There has been a recognition that audit plans need to be flexible to be able to reflect and respond to the changing risks and priorities of the Council and current circumstances with the pandemic have highlighted the needs and benefits of this approach, with a number of in year changes having been made to the 2020/21 audit plan; this principle looks set to continue.

The table on the right shows a summary of indicative audit coverage for the year, totalling 1046 days, with proposed areas for review listed in the table below. In addition, we have one item we are holding as a “first reserve”.

More detailed terms of reference will be drawn up and agreed with management prior to the start of each individual assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

As we progress through the year, any changes to the audit plan will be brought before this Committee.

We also continue to provide an internal audit service to the maintained schools with the City.

Anti-fraud and Corruption

Working alongside the DAP Counter Fraud Team we ensure that our work contains elements to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity.



Proposed Audit Reviews

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Customer and Corporate / Finance		
Material Systems – System Admin	Review of the control environments in place to ensure the integrity of the Academy, Civica, CareFirst and CoreHR systems. Follow-up of any recommendations made in 20/21.	20
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance. Follow-up of any recommendations made in 20/21.	55
Civica Icon	Full review of the cash receipting and e-payment system.	25
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance. Follow-up of any recommendations made in 20/21.	50
Treasury Management	System walkthrough, focused risk-based sample testing and follow-up of 20/21 review.	10
CoreHR - Payroll	System walkthrough to consider the design, any changes and effectiveness of key controls. Risk-based sample testing will be performed to determine compliance with management controls internal to the Council and those applicable to the payroll administrators, Delt Services.	25
Cyber Security	Audit will continue to assess the Cyber Security arrangements in place to safeguard the Council's logical data assets. We will refer to standards defined by the NCSC and industry best practice and liaise, as appropriate, with the Corporate Information Manager and Delt.	20
O365 Follow-Up	Follow-up review of the work undertaken in 2019/20 following the roll out of Office 365 to check that the lessons have been learned and recommendations implemented and embedded.	5
Cash Handling	Identify all areas across the Council where cash continues to be taken and review the collection, reconciliation and banking arrangements. Consideration will also be given as to whether these service areas can move towards taking cash-less payments only.	15

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Management of Grants	Review the effectiveness of systems and procedures in operation across service areas to manage, monitor, accounts for and ensure compliance with grant funding. Work will also consider the process from the point of exploring and bidding for funding.	20
Covid-19 Grants	Pot of days to be used to perform spot checks (e.g. Test & Trace Support Payments) and provide post event assurance, lessons learned.	25
Risk Management in Treasury Management	Work to understand the basis of investment decisions. In particular, the identification of risk, where risks are reported and how those risks are mitigated.	15
Procurement	We will focus on Pot of days – scope to be determined by the Head of Procurement in conjunction with the Service Director for Finance.	20
Client Financial Services	Review of the end-to-end processes including those undertaken by Livewell SW to identify any changes to the system since previous review and to check that previous recommendations have been implemented. Work to be undertaken in parallel with CareFirst Billing review (see below under People) to ensure no overlap.	15
Recruitment	There are key areas of law affecting the recruitment and selection including discrimination, the right to work in the UK, criminal records checks and data protection. We will assess current policies and procedures against legal obligations and best practice.	15
Health & Safety	Further work requested by the Head of Health and Safety to provide independent assurance on the implementation and embeddedness of the processes and system being developed initially for the management of Hand Arm Vibration but which could be deployed more broadly.	15
Council Bank Accounts	Exercise to identify all bank accounts linked to the Council and their purpose.	5
Governance - Capital Programme	The governance arrangements for the capital programme are currently under review and audit will be available to provide “real-time” support and challenge.	5
Schools Financial Value Standards (SFVS)	Collection of SFVS self-assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 20/21.	2

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Audit Advice to Customer & Corporate and carry forward for completion of 20/21 work		25
Audit planning, monitoring and performance reporting		32
Audit Governance		26
Cross Cutting		
PFI Contracts	Check that there is awareness within the Council of all PFI Contracts, it is known when they are due to end and there are plans in place to undertake condition surveys well in advance of the end of the contract to ensure that buildings are not returned in an unsatisfactory condition.	1
Payment Modernisation Project	Seat on board and time to undertake real time work alongside the project to ensure that controls remain effective and efficient following changes to processes within service areas	15
Executive Office		
Electoral Services	Real time advice and support to be provided to the ER Team as they develop and implement new processes in response to 2020/21 audit recommendations.	15
Risk Management	Review of the Council's approach to the identification, assessment and management of risks to the achievement of its objectives and to the delivery of services. We will check that the management of individual risks is clearly allocated and that their management is reported and considered at the appropriate levels within the organisation.	20
Minute Books	There is a legal obligation for local authorities to retain signed minutes of committee meetings. Review of existing practice to identify opportunities to create efficiencies.	5
Gifts & Hospitality Follow-Up	Follow-up to the 19/20 review which was Improvements Required.	3
Audit Advice to Executive Office		10
Audit planning, monitoring and performance reporting		2
Audit Governance		1

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
People		
CareFirst ASC (Invoicing)	Review of the design and effectiveness of the systems and procedures in operation for the billing of adult social care services (residential and domiciliary care).	25
CareFirst (Payments)	Undertake substantive testing of Dom Care returns to check for any under / over payments.	25
CareFirst - Children Independent Placements Follow-Up	Detailed follow-up to the 19/20 review which was Improvements Required.	10
Finance & Assurance Review Group (FARG)	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and under the membership requirements laid down in the terms of reference, internal audit will continue to have a seat on FARG to providing real time support and challenge through their attendance.	5
Special Guardianships (Children) Follow-Up	Detailed follow-up to measure progress in implementing the management responses to the March 2020 audit report.	10
Special Educational Needs & Disability (SEND) Contracts	Review of send contracts – detailed scope to be determined with the Head of Service.	25
Social Care – New Business Solution	Real time support and challenge to the project team responsible for the migration of CareFirst 6 to Eclipse. Phase I – CYP Apr21 – Mar22, Phase II - ASC Apr22 – Mar23.	10
Pre-Paid Cards (Direct Payments Adults)	Review of controls on the administration of prepaid cards used to make direct payments for children.	15
Pre-Paid Cards (Direct Payments Children)	Review of controls on the administration of prepaid cards used to make direct payments to adult social care clients.	5
On Course South West (OCSW)	Review of the effectiveness of the systems and procedures operated by OCSW now that they are back “in-house”.	15
Anti-Social Behaviour Tools	Audit review and validation of the way in which Anti-Social Behaviour tools are being used.	20

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Fully CATERed	Year-end testing to make sure that the year-end position is not understated and to provide internal audit assurance to the external auditor.	6
Community Connections – New Business Solutions	As the new Esuasive system is fully rolled out and embedded, in liaison with the service we will review the links between Esausive and the Dynamic Purchasing System and review past audit recommendations where actions were dependent on implementation of the new system.	25
Life Chances Fund (Pause Project)	Validation of claims in Sept 2020 & March 2021.	6
Families with a Future (Payment by Results)	Audit review and certification for each monthly claim.	25
Audit Advice to People and carry forward for completion of 20/21 work		22
Audit planning, monitoring and performance reporting		24
Audit Governance		21
Office of the Director of Public Health		
Office of the Director of Public Health	Covid-19 and exiting the EU has brought immense pressure to PDPH. This is a “pot of days” which the service will determine in due course where they would like best to use them.	20
Audit Advice to ODPH		10
Audit planning, monitoring and performance reporting		2
Audit Governance		1
Place		
Trade Waste	Changes to the trade waste operation have been introduced and we have been asked by management to undertake a full review of the system and processes.	30

Areas of Review	Proposed Audit Work / Scope	Estimated Audit Effort (Days)
Street Services – Stores and Stock Control	Review the effectiveness of the systems and procedures used to administer and control consumable items e.g. personal protective equipment, chemicals, wheelie bins, bags and other stock. Work will also include the control of fuel cards and containers.	30
Commercial Properties	The Council's investment portfolio is worth £197m and generates over £10m of rental income and processes have changed following migration to the Tech Forge Cloud asset management system. We will map the new system to provide assurance on the effectiveness and efficiency of the control framework. Some compliance testing will be undertaken, and consideration given to the identification, reporting and mitigation of portfolio risk.	30
City Change Fund	All available days have been allocated and this item is held as "first reserve" should there be future changes.	First Reserve
Grant Certification	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	25
Audit Advice to Place		15
Audit planning, monitoring and performance reporting		12
Audit Governance		10
National Fraud Initiative (NFI) and Irregularities		
NFI & Contingency	<p>Co-ordination of the NFI exercises across the Authority.</p> <p>We will also continue to investigate irregularities referred to it us managers. Cases which we consider fraudulent will be referred to the DAP Counter Fraud Team for investigation and possible prosecution. Where control weaknesses are identified, the Audit Team work with service areas to address these issues.</p>	<p>25</p> <p>25</p>

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership will continue to investigate instances of potential fraud and irregularities referred to it by managers and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. The joint working arrangements between the Internal Audit and Counter Fraud teams, enables intelligence to be shared and resources focussed on higher risk areas to prevent a fraud occurring.

During the unprecedented COVID 19 crisis the Government have provided a package of support mechanisms for individuals and business and the Department for Business, Energy and Industrial Strategy (BEIS) require proportionate 'assurance' that the Government's Grant Funding for schemes has been used to support only those who were legitimately entitled to claim. The DAP Internal Audit and Counter Fraud Team are working collaboratively to provide assurance to the Council.

Additionally, guidance introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the CIFAS 'Fighting Fraud Corruption Locally Strategy 2020', further inform the direction of counter-fraud arrangements.

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Departments supplied datasets which were uploaded onto the NFI secure website in October 2020 in accordance with the NFI timetable. The subsequent matching reports are due to be returned from the Cabinet Office during February 2021 and relevant departments will be contacted to agree plans for reviewing the matches and reporting outcomes.

Internal Audit Governance

An element of our work is classified as Corporate Governance – this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. External Audit, Audit South West);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during the year;
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to develop and maintain effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices with the aim of improving the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work.

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit has taken account of the Authority’s risk management framework. The plan has been adjusted and reviewed, as necessary, in response to changes in the Authority’s business, risk, operations, programs, systems and controls. The plan takes account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

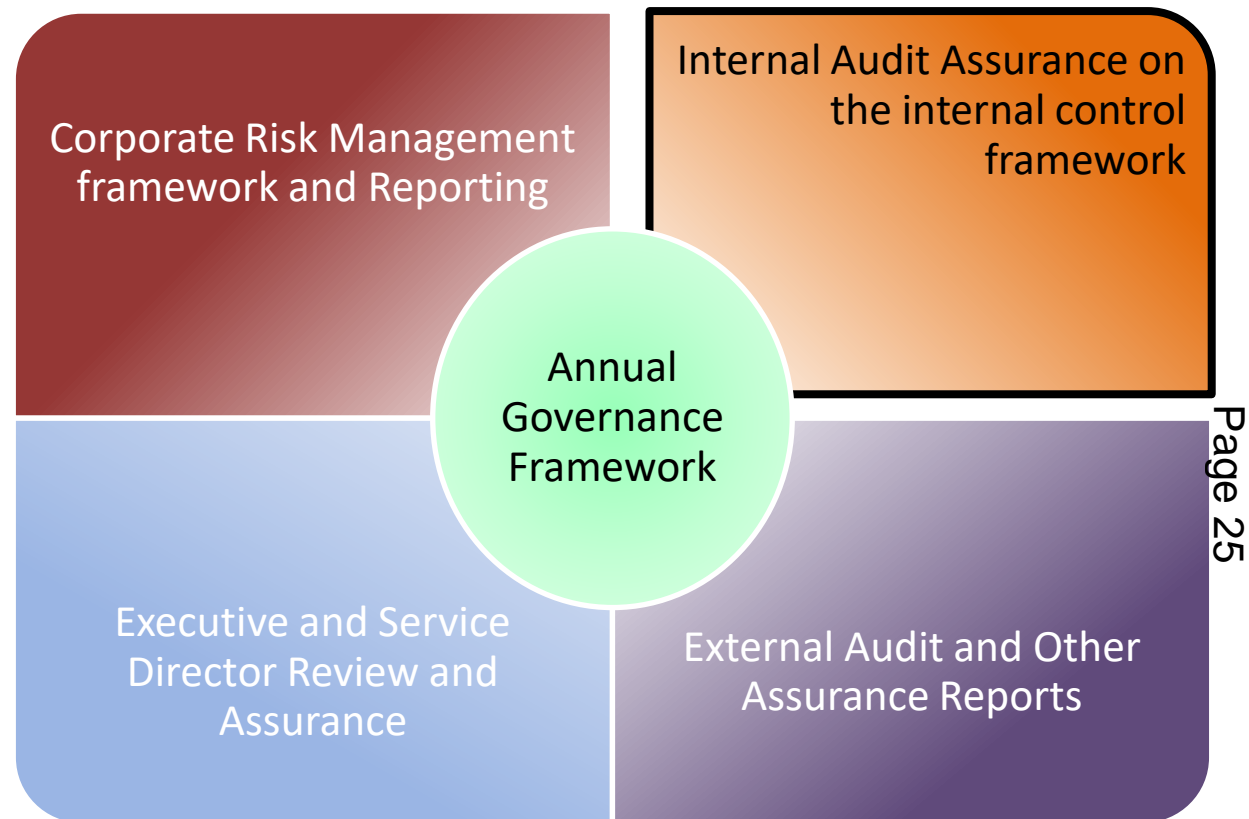
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year, including the impact of Covid-19 on governance arrangements;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance.
- Provide confirmation that the Authority complies with *Delivering Good Governance in Local Government Framework 2016 (CIPFA and Solace)*.



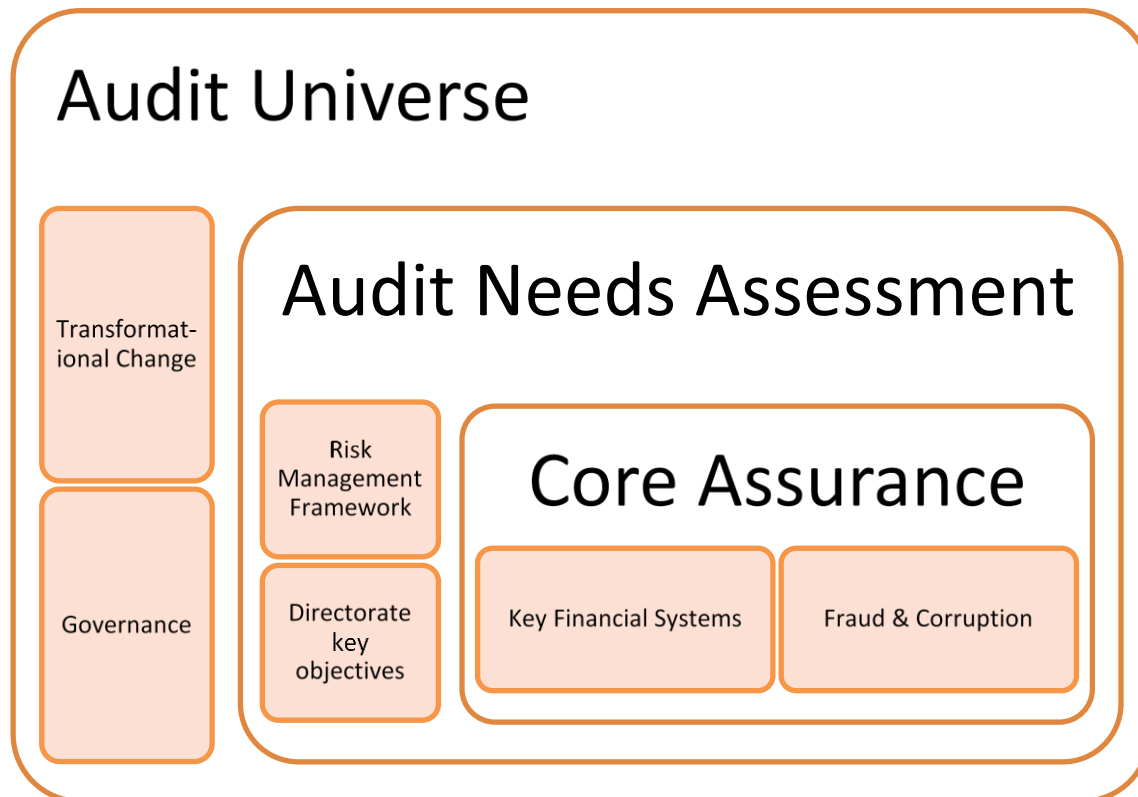
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance Statement Working Group, CMT and Internal Audit that the statement meets regulatory requirements.

Appendix 3 - Audit Needs Assessment

We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

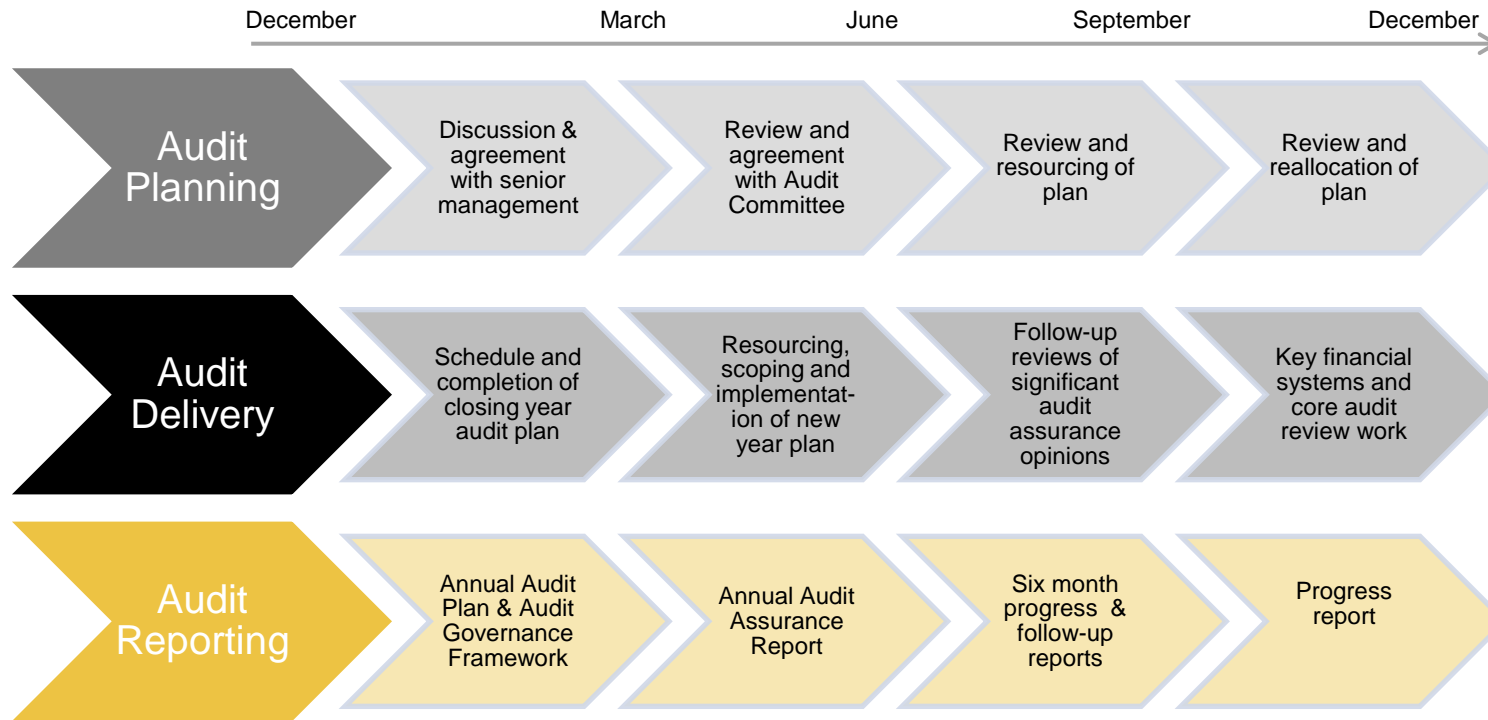
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan will remain flexible and should priorities need these areas may for part of the planned work.



The audit plan for the year plan has been created by:

- Consideration of risks identified in the Authority’s strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous internal audit reviews
- Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans
- Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2021	Directorate planning meetings
March 2021	Internal Audit Plan presented to Audit & Gov Committee
	Internal Audit Governance Arrangements reviewed by Audit & Gov Committee
	Year-end field work completed
Apr 2021	Annual Performance reports written
Jul 2021	Annual Internal Audit Report presented to Audit & Gov Committee
	Follow –up work of previous year’s audit work commences
Sept 2021	Progress report presented to Audit & Gov Committee
Nov 2021	Six-month progress reports presented to Audit & Gov Committee
	2022/22 Internal Audit Plan preparation commences

<p>Robert Hutchins Head of Audit Partnership T 01392 383000 M 07814681196 E robert.hutchins@devonaudit.gov.uk</p>	<p>Brenda Davis Audit Manager – Plymouth City Council T 01752 306713 M 07816934144 E brenda.davis@plymouth.gov.uk or brenda.davis@devonaudit.gov.uk</p>	<p>Dominic Measures Audit Manager - Specialist Services and Schools T 01392 380493 E dominic.measures@devonaudit.gov.uk</p>
---	---	---

This page is intentionally blank

Audit and Governance Committee



Date of meeting:	22 March 2021
Title of Report:	Treasury Management Practices, Principles and Schedules 2021/22
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	Chris Flower (Finance Business Partner for Capital and Treasury Management)
Contact Email:	chris.flower@plymouth.gov.uk
Your Reference:	Finance/CF
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 2020/21 as set out in this report to 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.

Carbon Footprint (Environmental) Implications:

[Click here to enter text.](#)

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	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A								
B								

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 unpublished 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) <i>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.</i>						
	1	2	3	4	5	6	7

Treasury Management Strategy 2021/22							

Sign off:

Fin	pl.21.2 1.269	Leg	It/363 28/10 0321	Mon Off	It/363 28/10 0321	HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 10/03/2021											
Cabinet Member: Cllr Lowry Date 10/03/2021											

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2021-22	
---	---

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:

INDEX	TMP Number	Page
Organisational chart of the Council's Finance and Treasury Division Statement of duties and responsibilities Absence cover	TMP 5	29
Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending Cash Flow forecasts Bank statements, payment scheduling	TMP 1 TMP 8 TMP 8	7 44 46
Electronic banking and dealing Standard Settlement Instructions, Payment Authorisation	TMP 1	7
Decision making and analysis	TMP 3	22
Approved types and sources of borrowing Approved investment instruments	TMP 4	25
Counterparty and Credit Risk Management Current criteria Counterparty List and Limits	TMP 1	7
Dealing: - Authorised dealers - Dealing limits - List of approved brokers - Deal Ticket pro-forma - Direct dealing list - Settlement transmission procedures	TMP 5	29
Reporting arrangements/Performance measurement Officers' responsibilities for reporting	TMP 6 TMP 2 TMP 5	35 19 29
Budget, Statement of Accounts, treasury-related information requirements for Auditors	TMP 7	39
Anti Money Laundering Procedures	TMP 9	47
Training and Qualifications	TMP 10	49
Contingency Arrangements	TMP 1	7
External Service Providers	TMP 11	50
References to Statute and Legislation	TMP 1	7
Corporate Governance	TMP 12	52
Non-financial Investments	TMP 13	53

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 Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally approve the Treasury Management Code, but instead the Council is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as:

The management of the Authority's investments, cash flows, 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.

The Ministry of Housing, Communities and Local Government (MHCLG) published revised statutory guidance and an informal commentary on Local Authority Investments for England in February 2018.

'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 investment property portfolios. Such non-financial 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 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles:

- (1) 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 and prime objectives of their treasury management activities and that responsibility for these lies clearly within these 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 four clauses.

- (1) The Council will create and maintain, as the cornerstones for effective treasury 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.
- (2) The Council will receive reports on its treasury 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 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 Committee to be responsible for ensuring effective scrutiny of 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 1: 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.

- I.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.

- I.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.

- I.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.*

1.3.2 Schedule:

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>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.</p> <p>The criteria will be agreed by Council.</p> <p>The current criteria are contained in the Treasury Management Strategy.</p> <p>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.</p> <p>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).</p> <p>Investment limits are set by reference to the lowest long-term rating from the agencies and other relevant factors, including external advice. The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>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.)</p> <p>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.</p>
<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management : creditworthiness deteriorates below the minimum criteria</p> <p>(a) ratings are placed on review for downgrade</p>	<p>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.</p> <p>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> - No new investments will be made; - 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. <p>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.</p> <p>This policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>

Counterparty list and limits	<p>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.</p> <p>* 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.</p>
Details of credit rating agencies' services and their application	<p>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.</p> <p>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.</p>
Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	<p>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.</p> <p>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.</p> <p>In addition, the Council's S151 Officer reads the quality financial press for information on counterparties.</p>
Country, sector and group listings of counterparties and overall limits applied to each, where appropriate	<p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

1.4.2 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.

1.4.3 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.4.4 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 cashflow 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-term investments	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. 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 1 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.

I.5 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.

I.5.2 Principle: *The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.*

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.

1.5.3 Schedule:

<p>Proportions of fixed/variable rate debt/interest</p>	<p>Borrowing/investments may be at a fixed or variable rate.</p> <p>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.</p> <p>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.</p>
<p>Managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Negative interest rates</p>	<p>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.</p>

1.6 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.

1.6.2 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.

1.6.3 Schedule:

Exchange rate risk management	<p>This Council does not, on a day to day basis, have foreign currency transactions or 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.</p> <p>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.</p> <p>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.</p>
-------------------------------	---

1.7 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.

1.7.1 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 one year	Where balances are expected to be invested for more than one year, the Council 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 obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

1.8 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.

1.8.1 Principle: *The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the 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 over reliance on any one source of funding if this might jeopardise achievement of the above.

1.8.2 Schedule:

<p>Projected capital investment requirements</p>	<p>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.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
<p>Debt profiling, policies and practices</p>	<p>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.</p> <p>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' which forecasts the need to borrow over the medium- to longer-term.</p> <p>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.</p> <p>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.</p>
<p>Policy on LOBO call options</p>	<p>The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option Borrower's Option) basis.</p> <p>The call dates for each LOBO loan are denoted within the Operations Folder and are referenced to the LOBO documentation.</p> <p>Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities.</p> <p>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.</p> <p>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.</p>

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.
--	---

1.9 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.

1.9.1 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 credit and counterparty policy under TMPI(1) Credit and counterparty 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.

1.9.2 Schedule:

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council such as:</p> <ul style="list-style-type: none"> ▪ CIPFA's Treasury Management Code of Practice and accompanying Guidance Notes ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ The MHCLG's statutory Guidance on Minimum Revenue Provision (MRP) ▪ The MHCLG's Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) ▪ The Localism Act 2011 ▪ Code of Practice on Local Authority Accounting ▪ The Bank of England's 2017 Money Markets Code ▪ Council's Constitution including: <ul style="list-style-type: none"> • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation
---	---

Procedures for evidencing the organisation's powers/ authorities to counterparties	<p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit and Governance Committee.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>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.</p>
Required information from counterparties concerning their powers/ authorities	<p>Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria.</p> <p>The Council will only undertake borrowing from approved sources listed in TMP 4.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (<u>TMP 12 – Corporate Governance</u>) • adherence to the Statement of Professional Practice by the Section 151 Officer • the roles of the Audit and Governance Committee.

1.10 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.

1.10.1 Principle: *The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.*

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>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.</p> <p>I. <u>Electronic Banking and Dealing</u></p> <p>(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:</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Head of Financial Planning and Reporting ○ Finance Business Partner ○ Principal Technical Accountant ○ Senior Technical Accountant Officers ○ Technical Accounting Officers ○ Finance Assistant ○ Apprentice <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(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.</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Finance Business Partner ○ Principal Technical Accountant ○ Senior Technical Accountant Officers ○ Technical Accounting Officers ○ Finance Assistant ○ Apprentice <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>(c) <i>Access and use of the online ICD Portal, for our Money Market Funds and iDeal for Arlingclose dealing platform, is listed below:</i></p> <ul style="list-style-type: none"> • For Fund Selection <ul style="list-style-type: none"> ○ Head of Financial Planning & Reporting ○ Finance Business Partner • For Trading, the following members of the Treasury Management team <ul style="list-style-type: none"> ○ Principal Technical Accountant ○ Senior Technical Accounting Officers ○ Technical Accounting Officers <p>Full procedure notes covering the day to day operation of the on-line banking system and the treasury management system are documented.</p> <p>2. <u>Standard Settlement Instructions (SSI)</u> list : a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> • 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. • <u>Payment Authorisation</u>:
--	--

	<ul style="list-style-type: none"> • 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	<p>Loans and investments will be maintained in registers/treasury management system which will include fees and brokerage paid.</p> <p>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.</p> <p>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.</p>
Substantiation	<ol style="list-style-type: none"> 1. 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	<p>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See <u>TMP7 Budgeting, accounting and audit arrangements</u>.</p>
Contingency Management	<ol style="list-style-type: none"> 1. 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 Disaster Recovery Policy is held by Plymouth City Council.
Insurance Cover details	<p>The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Corporate Risk and Insurance Team.</p>

1.11 Market Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.11.1 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.

1.11.2 Schedule:

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc.)</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>VNAV pooled funds will be treated as Available for Sale Assets. Segregated fund with external managers will be treated as Fair Value through Profit or Loss.</p> <p>When first adopting IFRS 9, the new accounting standard from FY 2018/19, the Council irrevocably elected to account for individual investments in "equity instruments" at fair value through other comprehensive income (FVOCI), which is very similar to the available for sale accounting. Investments purchased after the transition to IFRS 9 may also be elected to FVOCI upon acquisition. The Council made the election in the 2017/18 statement of accounts for the 31st March 2018 holdings in strategic bond funds, equity funds, multi asset/diversified funds and property funds.</p> <p>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.</p>

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:

<p>Policy concerning methods for testing value for money</p>	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles <p>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.</p>
<p>Policy concerning methods for performance measurement</p>	<ul style="list-style-type: none"> • Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council’s Prudential Indicators and 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. <p>Any comparison of the Council’s treasury portfolio against recognised industry standards, market indices and other portfolios is intended to</p> <ul style="list-style-type: none"> (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. <p>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 position on risk.</p>

<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to the Treasury Management Meetings throughout the year.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>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.</p> <p>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.</p>
<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the treasury monitoring report to Audit and Governance Committee.</p> <p>The report will include:</p> <ul style="list-style-type: none"> a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR) b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) c) Average rate on gross borrowing vs weighted average maturity d) The effect of new borrowing and/or maturities on the above e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) f) Total investments including average rate and maturity profile g) The rate of return on investments against their indices for internally and externally managed funds h) 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 their call period) i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy j) Daily bank balances: any major deviations from the target bank balances

<p>Benchmarks and calculation methodology with regard to risk and return</p>	<p>Treasury Management Costs – Costs are split into Debt Management, Investment Management and Other. Investment Management invested, and Debt Management Cost of debt.</p> <p>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.</p> <ul style="list-style-type: none"> • Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund. <p>Debt Management</p> <ul style="list-style-type: none"> ▪ 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)
<p>Best value</p>	<p>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.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that :</p> <ol style="list-style-type: none"> 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	<p>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.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p> <p>The Prudential Code encourages determining spending priorities and affordability criteria. 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.</p>
Major treasury decisions	<p>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:</p> <ul style="list-style-type: none"> 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

Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>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:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>
Issues to be addressed, evaluation, authorisation	<p>In exercising these powers, the Section 151 Officer and those to whom the treasury activity have been delegated will</p> <ul style="list-style-type: none"> • 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.

	<p>In exercising Borrowing and Funding decisions, the Section 151 Officer will with advice from the council's Treasury Management Advisors:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund; • 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. <p>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.</p> <p>In exercising Investment decisions, the Section 151 Officer will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, 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 followed	The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.
Evidence and records to be kept	<p>The Council will maintain a record of all major treasury management decisions, 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.</p> <p>Records and working papers will be maintained by the Council electronically and/or in relevant files.</p>
Other	<p>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 LOBO being called in that financial year.</p> <p>A LOBO is called; the new interest rate will be reviewed against other borrowing rates, and will be redeemed if necessary.</p>

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**.*

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

4.2 Schedule:

<p>Approved treasury management activities</p>	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ 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. <p>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.</p>
--	---

<p>Approved capital financing methods and types/sources of funding</p>	<p><u>Approved sources of long-term and short-term borrowing include:</u></p> <ul style="list-style-type: none"> • Public Works Loans Board (PWLB) or its successor • 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 PCC Pension Fund) • Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • long term money market loans including LOBOs • Temporary money market loans (up to 365 days). • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Plymouth Bond • Lottery monies • Other Capital Grants and Contributions • Private Finance Initiative • Commercial companies • Pensions Funds • Operating and finance leases • Hire purchase • Sale and leaseback • Any other counterparty you intend to borrow from that has been agreed by the council's advisors. <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Use of Reserves <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
--	---

<p>Approved treasury investment instruments</p>	<p>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).</p> <p>The Annual Investment Strategy should be approved by full Council</p> <p>The Council will determine through the AIS which instruments will be used in-house 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.</p> <p>The Council will, where applicable, use the Council's credit criteria.</p> <p><i>examples</i></p> <ul style="list-style-type: none"> ▪ 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 <p>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.</p>
<p>Investments that are not part of treasury management activity</p>	<p>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.</p> <p>The Council ensures that it has the same robust procedures for the consideration of risk and return and</p> <ul style="list-style-type: none"> • 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.

Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is likely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives: Swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p>
MiFID II professional client status	<p>The Council has reviewed its classification with financial institutions under MiFID II and has registered as a professional client.</p> <p>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.</p>
Legal Entity Identifier (LEI)	<p>The Council is registered with the London Stock Exchange as a Local Operating Unit to obtain a Legal Entity Identifier (LEI).</p>

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.

5.2 Schedule:

See Appendix I for Organisation Charts

5.3 Schedule:

Limits to responsibilities at Executive levels	<p>Full Council: receiving and reviewing:</p> <ul style="list-style-type: none"> • Prudential Indicators (Capital Expenditure, Authorised Limit, Operational 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 <p>The Cabinet:</p> <ul style="list-style-type: none"> • 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 practices concerning segregation of duties	<p>The segregation of duties will be determined by the Treasury Management Finance Business Partner.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • 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.

<p>Statement of duties/ responsibilities of each treasury post Including absence cover arrangements</p>	<p>The Section 151 Officer</p> <ul style="list-style-type: none"> • 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 Financial Planning & Reporting, Finance Business Partners and relevant Senior Technical Accountants and Senior Technical Accounting Officers as appropriate.
---	---

	<p>Head of Financial Planning & Reporting</p> <ul style="list-style-type: none"> • 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 1 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. <p>Finance Business Partner</p> <ul style="list-style-type: none"> • 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 Financial Planning & Reporting 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 Financial Planning & Reporting. <p>Finance Business Partner and Principal Technical Accountant</p> <ul style="list-style-type: none"> • To provide cover in the absence of the Senior Technical Accounting Officer and to 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 Financial Planning & Reporting. • Following approval by the Section 151 Officer undertake all borrowing over 1 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. <p>Senior Technical Accounting Officer</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
--	--

Absence cover arrangements	Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels): Head of Financial Planning & Reporting Finance Business Partners Principal Technical Accountant Senior Technical Accounting Officers
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	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Finance Business Partner <p>Lending activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Finance Business Partner <p>Authorising payments for borrowing/lending</p> <ul style="list-style-type: none"> • Overnight; <ul style="list-style-type: none"> ○ Senior Technical Accounting Officer • Under 1 year <ul style="list-style-type: none"> ○ Finance Business Partner • Over 1 year <ul style="list-style-type: none"> ○ Section 151 Officer ○ Head of Financial Planning & Reporting <p>Transaction recording:</p> <ul style="list-style-type: none"> • Principal Technical Accountant • Senior Technical Accounting Officer
Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> • 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.
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	Conversations with brokers are taped by the brokers, but not by the 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 dealing	The Council also deals with other local government authorities to invest and borrow funds for treasury management purposes. 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.
Deal Ticket pro-forma	Deals will be recorded as per the deal ticket pro-forma (pro-forma maintained at operational level)
Settlement transmission procedures	<ul style="list-style-type: none"> • settlements are made by CHAPS. • all CHAPS payments relating to settlement transactions requires 1 signature by Principal Technical Accountant or Senior Technical Accounting Officer. • all CHAPS payments relating to settlement transactions require authorisation by a Finance Business Partner or Head of Planning and Reporting • the details are transmitted online to the Council's bankers.

Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> • 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 <p>Loans:</p> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The Treasury Management Finance Business Partner has responsibility for updating the Council's records with any credit developments. • The Treasury Management Finance Business Partner is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

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:	<p>This is a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.</p> <p>The Capital Strategy should include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>Although there is no requirement in the Code for this to be an annual document, nor for it to be approved before the start of the financial year, the Council will undertake this exercise each year.</p>
-------------------	---

<p>Frequency of executive reporting requirements</p>	<p>The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Content of Reporting: I. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 37 actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ 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 <p>Treasury indicators</p> <ul style="list-style-type: none"> ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s) (see below*) • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>*Based on the HMCLG's Guidance on Investments, the Council has produced an Annual Investment Strategy (AIS) which sets out:</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments; ▪ the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances; ▪ the limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>3. Annual Treasury Outturn Report</p>	<p>The Section 151 Officer will produce an annual report for the Audit and 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.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ 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 effects; ▪ 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. ▪ training /continuous professional development undertaken by treasury officers. <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>4. Mid-Year Treasury Report</p>	<p>The Section 151 Officer will produce a mid-year report for Council on the borrowing and investment activities of the treasury management function for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • 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 <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>Content and frequency of management information reports</p>	<p>The Finance Business Partner for Treasury Management provides information of the council's Treasury Management activities in a dashboard report and also through Key Performance Indicators report to senior management.</p> <p>This reports includes details of:</p> <ul style="list-style-type: none"> • 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 <p>The Finance Business Partner 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.</p>

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	<p>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,;</p> <p>(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</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Accounting practices and standards	CIPFA's Accounting Code of Practice on Local Authority Accounting in the UK

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ 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 statement ▪ Collection Fund note ▪ Statement of Responsibilities ▪ The Accounting Statements ▪ 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	<p>The current form of the Council's accounts is available online at www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts</p>
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>

<p>Treasury-related information requirements of external auditors</p>	<p>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.</p> <p>Information in 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.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> ▪ 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.
	<p><u>Investments:</u></p> <ul style="list-style-type: none"> • 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 end • 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.

	<p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ 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 <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ 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	<p>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.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Finance budget.</p>

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 **TMPI [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.*

8.2 Schedule:

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>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.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
--	---

Content and frequency of cash flow projections	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • revenue income and expenditure based on the budget. • profiled capital income and expenditure as per the capital programme. <p>Revenue activities:</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ 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 <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ 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 <p>Capital activities including financing</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, Servicing of Finance/Returns on Investments</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ 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	<p>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 with:</p> <ul style="list-style-type: none"> • 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 bank statements; • actual council tax received; • actual housing benefit; • actual capital programme expenditure and receipts. 														
Bank statements procedures	<p>The Council receives online bank statements uploaded on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a monthly basis.</p>														
Payment scheduling	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:</p> <ul style="list-style-type: none"> • Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice. • All other creditors to be paid within 30 days of receipt of invoice. 														
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report which will include an analysis of debt by age and details and details of recovery status.</p> <p>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.</p>														
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashiers section are banked weekly.</p> <p>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.</p>														
Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1" data-bbox="507 1547 1353 1796"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>Capital Spend and Receipts</td> <td>Capital Accounting Team</td> </tr> <tr> <td>Government Grants</td> <td>Logasnet</td> </tr> <tr> <td>Payroll</td> <td>HR payroll department</td> </tr> <tr> <td>Debtors and Creditors</td> <td>Transaction Centre</td> </tr> <tr> <td>Loans and Deposits</td> <td>Treasury Management Team</td> </tr> <tr> <td>Other income and payments</td> <td>Finance colleagues</td> </tr> </tbody> </table>	Type of Information	Source	Capital Spend and Receipts	Capital Accounting Team	Government Grants	Logasnet	Payroll	HR payroll department	Debtors and Creditors	Transaction Centre	Loans and Deposits	Treasury Management Team	Other income and payments	Finance colleagues
Type of Information	Source														
Capital Spend and Receipts	Capital Accounting Team														
Government Grants	Logasnet														
Payroll	HR payroll department														
Debtors and Creditors	Transaction Centre														
Loans and Deposits	Treasury Management Team														
Other income and payments	Finance colleagues														
Practices concerning prepayments to obtain benefits	<p>The following practices concerning prepayments are followed to obtain benefits:</p> <p>All prepayments must be authorised by the approved signatory in the respective department.</p>														

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:

<p>Anti money laundering policy</p>	<p>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.</p> <p>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.</p>
<p>Treasury documentation</p>	<p>The Council will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> – 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)	<p>(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.</p> <p>(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.</p> <p>(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).</p>
Procedures for establishing the Identity of Lenders and Borrowers	<p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</p> <p>(b) The Council will not accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.</p> <p>(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.</p> <p>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.</p> <p>(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.</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p> <p>(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.</p> <p>(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.</p>

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.*

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: <ul style="list-style-type: none"> ▪ 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 Finance Business Partner 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the 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 procedures and frequency for tendering services	<p>(a) Bankers to the Council Barclays Bank 3 Bedford Street Exeter EX1 1LX Tel: 0345 3010 927 Contract period: 1 April 2014 ends 31 March 2022.</p> <p>(b) Treasury advisor Arlingclose Limited 35 Chiswell Street, London, EC1Y 4SE Tel: 08448 808 200 Contract period: New contract commences 1 April 2021 to 31 March 2024.</p> <p>(c) External Fund Manager King & Shaxson 6th Floor, Candlewick House, 120 Cannon Street London, EC4N 6AS</p>

<p>Details of service providers and procedures and frequency for tendering services (cont'd)</p>	<p>(d) Brokers: It is considered good practice for the Council to have at least two brokers and to spread business between them.</p> <p>Tullett Prebon Limited Level 3, 155 Bishopsgate, London, EC2M 3TQ Tel: 020 7200 7000</p> <p>Tradition (UK), Beaufort House, 15 St. Botolph Street, London, EC3A 7QX. Tel: 020 7198 1500</p> <p>London Currency Brokers, LCB House, 8A The Broadway, Pitsea, Essex, SS13 3AY.</p> <p>Martin Brokers (UK) Plc, 1 Churchill Place, Canary Wharf, London, E14 5RD. Tel: 020 7469 9000</p> <p>Sterling International Brokers Limited 1 Churchill Place, 18th Floor, London, EC4 5RD. Tel: 020 7962 9960</p> <p>Imperial Treasury Services Office 7, 25 St Andrew Street, Hertford Hertfordshire SG14 1HZ</p> <p>Arlingclose Limited 35 Chiswell Street, London, EC1Y 4SE Tel: 08448 808 200</p>
<p>Regulatory status of services provided</p>	<p>All financial services providers are regulated by the Financial Conduct Authority (FCA).</p>
<p>Details of service provided by Treasury Advisor</p>	<p>The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments. The responsibility for borrowing, investments and risk management remains with the Council</p>
<p>Bribery Act</p>	<p>The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers</p>

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 recommendations 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: <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ Council's Annual Budget ▪ 5 Year Capital Budget ▪ Treasury Management Strategy ▪ Annual Investment Strategy (which will include treasury and non-treasury 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 1 to 12 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.

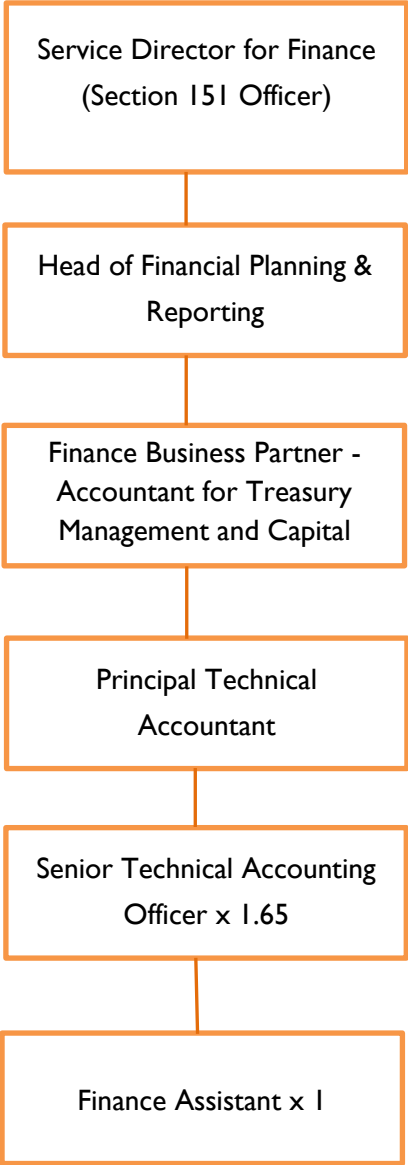
13.1 Schedule

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	<p>In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval.</p> <p>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.</p> <p>A diversified income-expiry profile will ensure that the funds income return is robust across a number of scenarios.</p> <p>Verification of purchase prices by external suitably qualified RICS Approved Valuers is obtained prior to any investment.</p>
Schedules to be maintained	<p>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:</p> <ul style="list-style-type: none"> • Risk management • Decision making, governance and organisation • Reporting and management information • Performance measurement and management • Training and qualifications.

Risk Management	<p>Follow TMPI and schedules as detailed previously, including investment and risk management criteria for any material non-treasury investment portfolios.</p> <p>Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.</p>
Independent and expert advice	Independent expert advice is sought for property purchases as part of the due diligence.
Decision making, governance and organisation	<p>The Financial Regulations detail how capital projects are approved and added into the capital programme.</p> <p>For non-treasury investments the appropriate professional due diligence is carried out to support the decision making.</p>
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)



This page is intentionally left blank

Audit and Governance Committee



Date of meeting:	22 March 2021
Title of Report:	Purchasing Card Policy
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	Philip Symons
Contact Email:	Philip.Symons@Plymouth.gov.uk
Your Reference:	PSY01032021.a
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report seeks consideration of approval to proposed changes to the Purchasing Card Policy as set out in the supporting documents.

The amendments proposed further strengthen the councils zero tolerance to negligent and deliberate misuse of the Purchasing Card. Also reaffirming the importance, responsibility and culpability of those who are 'authorising' payment transactions.

Secondary amendments made to the referencing to a specific service provider to future proof the policy moving forward.

Recommendations and Reasons

I. That the committee approve the updated Purchasing Card Policy as identified above and detailed in Appendix A.

The Purchasing Card Policy governs the use of Council issued Purchase Cards. The vast majority of the cards issued are to council officers for the process for purchases under £500. This can be used by officers where appropriate; as an alternative to engaging with the Procurement Service formally. This will facilitate effective processing and management of low value, low risk purchases.

The proposed changes follow additional stakeholder engagement with the Counter Fraud Services and Devon Audit Partnership. Primary changes include:

- i. Strengthening of language used when covering the subjects of negligence and fraud.

The aims of the updates proposed are to aid the Council in the delivery of efficient and effective procurement arrangements in a manner that also supports necessary probity and accountability in how the Council spends public monies.

Alternative options considered and rejected

The proposals put forward further strengthen the current policy document and add relevant information to aide council officers in ensuring that they are not only compliant with the policy itself but also to the wider constitution and national law.

It is noted that options other than recommending for approval are available, in particular these would be to propose relevant changes with relevant grounds for those changes or indeed to reject the proposed approach providing with clear grounds and reasons why. No change is an option; the amends put forward contain necessary additions to ensure continued probity and accountability.

In the event of any of the above circumstances then clear direction should be provided to enable necessary adjustments to be carried out.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Purchasing Card Policy sets out the expected standards and overall governance for all cardholding and authorising officers. In most cases this is low value transactional spend across the council to aide departments to be flexible and mitigate business continuity.

However the total spend per year is approx. £1.3million and our policy, training and supporting guidance documents should be fit for purpose and provide the necessary governance to ensure that officers spending money on behalf of the Council are being lawful as well as delivering value for money.

Implications for the Medium Term Financial Plan and Resource Implications:

There will be the need to undertake necessary communications and training to staff and members around the changes and how best to ensure that the policy is complied with. These cost would be covered within existing resource / budgets.

Carbon Footprint (Environmental) Implications:

Specific purchases themselves applying the policy and processes therein will take into account implications around things like: carbon footprint, green spaces, environmental policies and the climate emergency.

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.*

Core implications and risks associated directly with this report are that the proposed changes either are not adhered to or followed as intended. The risks of not adopting the changes are:

- Potential non-compliant activity with the Contract Standing Orders
- Not taking the opportunity to streamline current processes and procedures to make them more proportional around activities required to risks presented

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.						
		1	2	3	4	5	6	7
A	Purchasing Card Policy.v1.1 – including track change							

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 unpublished 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) 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.						
	1	2	3	4	5	6	7
n/a							

Sign off:

Fin	ba.2 0.21. 271	Leg	It/363 46/1 2032 1	Mon Off		HR		Asset s		Strat Proc	HG/PS/55 6/ED/0920
Originating Senior Leadership Team member: Brendan Arnold											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 11/03/2021											
Cabinet Member approval: <i>approved by email Cllr Chris Penberthy</i>											
Date approved: 11/03/2021											

This page is intentionally left blank

PURCHASING CARD

Policy – Tracked Changes



Page 3, 1.5

- 1.5** Payments to suppliers will be made quickly via the Council's bank by visa once the goods have been despatched and payment claimed. This will enable the Council to meet its Prompt Payment obligations.

PLEASE NOTE:

- Your card is to be used for Council business expenditure **ONLY**.
- Personal use of a Purchasing Card by an employee is strictly prohibited.
- Deliberate or negligent misuse of the Purchasing Card may result in the withdrawal of the card.
- Serious misuse could result in disciplinary action being taken against both the Card Holder and the Approver.

-
- 1.5** Payments to suppliers will be made quickly via the Council's bank by visa once the goods have been despatched and payment claimed. This will enable the Council to meet its Prompt Payment obligations.

PLEASE NOTE:

- Your card is to be used for Council business expenditure **ONLY**.
- If an individual fails to use the Plymouth City Council Purchasing Card in line with this Policy and/or Guidance Documents then the Purchasing Card will be withdrawn.
- If an individual deliberately misuses or uses the Plymouth City Council Purchasing Card in a negligent manner then they may face disciplinary action.
- Personal use of a Purchasing Card by an employee is strictly prohibited.
- If an individual uses a Plymouth City Council Purchasing Card for any personal or unauthorised transaction, then the matter will be formally investigated and the Card Holder and/or Purchasing Card Approver may face disciplinary action and/or prosecution through the criminal justice system.

Page 8, 6.6

6.6 Purchasing Card Audits - Purchases made with a Purchasing Card are subject to audit/review by appropriate council personnel. External auditors may also review Purchasing Card documentation if warranted. For these reasons, it is important that all receipts/invoices are scanned and attached electronically to the purchase record on Purchasing Card system. There is no need to keep the paper original once this action has taken place.

6.6 Purchasing Card Audits - Purchases made with a Purchasing Card are subject to audit/review by appropriate council personnel. External auditors may also review Purchasing Card documentation if warranted. For these reasons, it is important that all receipts/invoices are scanned and attached electronically to the purchase record on Purchasing Card system. There is no need to keep the original paper receipt once this action has taken place.

Failure of the card holder to obtain and retain relevant invoices and receipts has VAT implications for the Council (including financial loss and HMRC penalties) and may lead to suspicion/investigation of inappropriate spend and card withdrawal.

Page 8, 7.2

7.2 If you use your Purchasing Card in any of the aforementioned methods; it may result in card withdrawal and disciplinary proceedings.

7.2 If you use your Purchasing Card in any of the aforementioned methods; it may result in card withdrawal, disciplinary proceedings and/or criminal charges.

Page 9, 8.1 – excerpt

- Review transactions on a weekly basis, failure to do so will result in your card being suspended.

- Review transactions on a weekly basis and ensure that;

- The transactions are legitimate and correct
- The relevant supporting receipts / invoices are attached to the record
- Correct VAT coding has been assigned (if applicable)
- If VAT has been assigned; that a valid VAT receipt has been attached

Page 10, 9.1 – excerpt

- Approve transaction on a weekly basis.
 - Ensure that your cardholders adhere to the guidance and instructions within the Policy
 - If a Card Holder leaves the Council you must collect their card as required within the leavers checklist, notify the Transaction Centre and destroy it by either shredding it or cutting it into pieces. Please ensure you cut through the 3 digit security code and the 16 digit card number prior to disposal.
-

- Approve transaction on a weekly basis, where you have completed the relevant checks to ensure that;
- The transaction is legitimate and correct
- The relevant supporting receipts / invoices are attached to the record prior to authorising any transaction
- Correct VAT coding has been assigned (if applicable)
- If VAT has been assigned; check that a valid VAT receipt has been attached
- Ensure that your cardholders adhere to the guidance and instructions within the Policy and supporting documents.
- Any transaction that is approved without the correct process being followed may result in the 'Authorising Officer' facing the removal of authorisation rights and/or disciplinary action.

Page 11, 11.2

11.2 Deliberate or negligent misuse of the Purchase Card may result in the withdrawal of the card. Serious misuse could result in disciplinary or criminal action being taken against the cardholder. Procurement will support this process where required. Regular updates will be provided to the Section 151 Officer.

11.2 Negligent misuse of the Purchasing Card may result in the withdrawal of the card and disciplinary action. Where the misuse is suspected of being criminal in nature, a referral will be made to the Counter Fraud Services Team within Devon Audit Partnership, who will investigate fully. Plymouth City Council has a zero tolerance approach to fraudulent activity in line with its [Anti-Fraud, Bribery and Corruption Policy](#) and [Strategy and Response Plan](#), therefore should any investigation conclude there is sufficient evidence to warrant prosecution, Plymouth City Council may choose to prosecute any potential offender. Regular updates will be provided to the Section 151 Officer.

15. Miscellaneous – now moved to points 12.11 & 12.12 respectively

This page is intentionally left blank

PURCHASING CARD

Policy



INTRODUCTION

Plymouth City Council have introduced a process for purchases under £500. This can be used by Officers where appropriate; as an alternative to the procurement process. This will facilitate effective processing and management of low value, low risk purchases.

To facilitate this process a Purchasing Card can be utilised to simplify the purchasing of goods and services below £500, but must be used in line with the Purchasing Card Working Instructions.

<https://documentlibrary.plymcc.local/documents/PS0006.v1%20-%20Purchasing%20Card%20Work%20Instruction.pdf>

For all Purchases above £500 Officers are required to follow and adhere to the Council's Contract Standing Orders. <https://documentlibrary.plymcc.local/documents/PS0009.v1%20-%20Contract%20Standing%20Orders%20%28CSOs%29.pdf>

PLEASE NOTE: The issue of Purchasing Cards to **NEW** applicants will not be approved until the e-learning training course has been undertaken by both the Card Holder and the Approver.

All Purchasing Card holders and Approvers will be required to have an individual email address to undertake the training. Generic/shared mailbox email addresses will not be permitted.

Contents

1. What is a Purchasing Card?	3
2. Management of Purchasing Cards	4
3. What are the Benefits?	5
4. Who should have a Purchasing Card?	6
5. How do I become a Card Holder?	7
6. Controls	8
7. What should you NOT purchase with a Purchasing Card?	8
8. What responsibilities does a Card Holder have?	9
9. What responsibilities does a Card Holder's Approver have?	10
10. How do I cancel a Purchasing Card?	10
11. Policy Governance	11
12. Terms and Conditions of use	11
13. Care of the Purchasing Card and Security	12
14. Property	12

I. What is a Purchasing Card?

- I.1** A Purchasing Card is a Visa Purchasing Card similar to a personal debit/credit card that is issued by the Council's bank to enable low value purchases of Supplies and Services to be made quickly and efficiently. The Purchasing Cards are purposed to eliminate much of the traditional paperwork surrounding the Procurement process; whilst being fully compatible with VAT accounting requirements.
- I.2** The Purchasing Card looks like a normal debit/credit card but it is in fact a charge card. The difference being that the total balance on the cards monthly statement must be settled in full.
- I.3** Embossed on the card will be the following details:-
- Plymouth City Council
 - Your Name
 - Expiry Date
 - Card Number
- I.4** Purchasing Cards offer flexibility to procurement procedures, whilst reducing the volume of purchase orders and improving the cost effectiveness of processing transactions without comprising the Council's financial controls.
- I.5** Payments to suppliers will be made quickly via the Council's bank by visa once the goods have been despatched and payment claimed. This will enable the Council to meet its Prompt Payment obligations.

PLEASE NOTE:

- Your card is to be used for Council business expenditure **ONLY**.
- If an individual fails to use the Plymouth City Council Purchasing Card in line with this Policy and/or Guidance Documents then the Purchasing Card will be withdrawn.
- If an individual deliberately misuses or uses the Plymouth City Council Purchasing Card in a negligent manner then they may face disciplinary action.
- Personal use of a Purchasing Card by an employee is strictly prohibited.
- If an individual uses a Plymouth City Council Purchasing Card for any personal or unauthorised transaction, then the matter will be formally investigated and the Card Holder and/or Purchasing Card Approver may face disciplinary action and/or prosecution through the criminal justice system.

2. Management of Purchasing Cards

- 2.1** The Procurement Service will be responsible for the authorisation of all applications and governance of this the supporting policy.
- 2.2** The Transaction Centre will be responsible for the issue of your Purchasing Card including liaising with the issuing bank.
- 2.3** The Financial Systems Team will be responsible for the operation of the software and the flow of information between Visa, the Council's Purchasing Card system and the Council's Financial System. They will provide system advice, guidance and technical support.

Contact Details:-

Procurement Service – procurement@plymouth.gov.uk

Financial Systems Team – finansys@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

- 2.4** The Procurement Service will also serve as authority on the approval of any requests that fall outside of the set criteria of the Standard PCC Officer Card (Section 4).
- 2.5** In exceptional circumstances an uplift may be required. For clarity an 'uplift' is defined as a request to:
 - Raise the individual transaction limit
 - Raise the monthly card limit
 - Unblock a blocked category.

Requests must be made to the Procurement Service; who when appropriate will seek approval from the Section 151 officer.

Request should include the following information:

- a. Name of cardholder to be uplifted;
- b. Proposed uplift amount(s) / categories;
- c. Robust justification for why they need the uplift. Including examples of purchases they may need to buy alone is not a valid justification;
- d. Confirmation from card-holder line manager that the request is approved.

3. What are the Benefits?

3.1 The use of a Purchasing Card will deliver the following benefits:-

Plymouth City Council

- Streamlines Procurement Process
- Increased Purchasing Efficiency
- Comprehensive Management Information
- Identification of key spend/suppliers to enable discounted preferred supplier contracts to be let
- Empowers Staff
- Settlement with one monthly direct debit payment
- Assists with the Council's Prompt Payment obligation

The Cardholder

- Reduction in raising purchase requisitions and receipting
- Convenience to place an order via a phone call or online from secure websites
- Faster delivery times
- Empowerment; entrusted as a cardholder
- Procurement available 24/7

Suppliers

- Paid within 3 - 4 working days
- Improves cash flow
- Reduction in credit control

4. Who should have a Purchasing Card?

- 4.1** Purchasing Cards can be issued to appropriate Officers/Employee's that have been nominated by their departments with line management approval to make purchases valued below £500. Only permanent staff are eligible for procurement cards following minimum 6 months employment or Service Director Approval in exceptional circumstances.
- 4.2** The Council has a set of 6 pre-determined cardholder types with the majority of cardholders requiring a Standard PCC Officer or a Standard School Employee card. All other card requests will require approval and justification from the Procurement Service.
- **Standard PCC Officer** – to procure up to the value of £500 in a single transaction with a maximum monthly credit limit of £2,000.

PLEASE NOTE: the following merchant spend groups will be restricted due to internal processes or corporate contracts being in place.

Category 04 – Utilities & Non-Auto Fuel

Category 05 – Telecommunication Services

Category 10 – Staff – Temporary Recruitment

Category 11 – Business Clothing & Footwear

Category 19 – Office Stationery/Equipment/Supplies

Category 20 – Computer Equipment & Services

Category 21 – Print & Advertising

Category 26 – Automotive Fuel

Category 34 – Cash

- **Standard School Employee** – each school will determine their own single transaction and monthly credit limits.
- **PCC Procurement Service** – will be able to procure up to the value of £5,000 in a single transaction with a maximum monthly credit limit of £50,000. However merchant **category 34** (as detailed above) will be restricted.
- **Emergency Response** – these cards are held by nominated officers who are responsible for co-ordinating emergency procurements during a disaster recovery situation. There are no category restrictions for these card holders.
- **Lodge Card** – where high volume orders and payments are made to a single supplier. A card can be lodged with the supplier whereby all purchases/payments will be taken from that card removing the need to provide card details each time a transaction is made.
- **Chief Officers** – to procure up to the value of £10,000 in a single transaction with a maximum monthly credit limit of £50,000.

5. How do I become a Card Holder?

- 5.1 To apply for a Purchasing Card your line manager will have to complete the application form via DASH (Firmstep) ([Purchase Card Application](#))
- 5.2 As the line manager you will need the proposed card holder's full name, nationality, DOB, Personnel No, Start date at PCC, office address and select which card holder type is required as detailed in Section 4.
- The completed application will then be sent to the Procurement Service (procurement@plymouth.gov.uk) for authorisation. If the application is unsuccessful the Procurement Service will provide feedback.
 - Following application approval a declaration will automatically be sent to the applicant and the applicants line manager advising that successful completion of the mandatory e-learning module for both the Card Holder and the Approver is required. The Purchasing card will **NOT** be released until both these have been successfully completed.
 - Once successful completion of the e-learning for **both** the Card Holder and Approver has been received, you will be advised when appropriate that your Purchasing Card is ready for collection from the Transaction Centre.
 - On collection please bring a form of identification with you. Your Employee identification will be deemed as acceptable. Failure to bring satisfactory identification with you will result in the Transaction Centre being unable to release the Purchasing card to you.

PLEASE NOTE: In most cases card holders will either request a Standard PCC Officer or a Standard School Employee Card.

For all Purchasing Card request that are **NOT** Standard PCC or School Employee Cards, please contact Procurement Service at procurement@plymouth.gov.uk to seek further guidance prior to submitting your application form.

6. Controls

- 6.1 Transaction Limit** - This is the total amount you can spend on any **SINGLE** transaction. Purchases **MUST NOT** be split to circumvent this rule and any breach will result in the purchasing card being withdrawn.
- 6.2 Monthly Expenditure Limit** - This is the total amount you can spend on your card each month i.e. the credit limit. This is from the 1st of one month to the 1st of the next.

PLEASE NOTE: Both the Transaction and Monthly Expenditure Limit are inclusive of VAT and delivery charges.

- 6.3 CHIP & PIN** - All cards have a PIN number issued to the Card Holder. This can be changed by the Card Holder if required at any of the service providers ATMs.
- 6.4 Merchant Category Group (MCG) Code Blocking** - Each supplier capable of accepting your Purchasing Card will be classified by a Merchant Category Group code (of which there are 34). In order to ensure that the Council has full control and visibility of transactions there are certain codes which are blocked (see section 4). Limiting purchases from specific suppliers ensures safeguarding compliance with organisational policies. If a cardholder attempts to make a purchase from one of these suppliers, the transaction will be declined.
- 6.5 Transaction Log** - The completion of a Transaction Log is not necessary in all situations. Due to the speed that Purchasing Card transactions appear this form will be unnecessary for many low user cardholders. However, where cardholders are purchasing more frequently; especially on behalf of others then it is acceptable for a Transaction Log to be used. It enables prior coding and the opportunity to monitor the receipt of the goods and documentation. A template can be found at the following link ([Transaction log](#))
- 6.6 Purchasing Card Audits** - Purchases made with a Purchasing Card are subject to audit/review by appropriate council personnel. External auditors may also review Purchasing Card documentation if warranted. For these reasons, it is important that all receipts/invoices are scanned and attached electronically to the purchase record on Purchasing Card system. There is no need to keep the original paper receipt once this action has taken place.

Failure of the card holder to obtain and retain relevant invoices and receipts has VAT implications for the Council (including financial loss and HMRC penalties) and may lead to suspicion/investigation of inappropriate spend and card withdrawal.

7. What should you NOT purchase with a Purchasing Card?

- 7.1** You must **NOT** use your Purchasing Card for any of the following:
- Obtaining cash (from ATM's, or anywhere else)
 - Personal use
 - Entering into a continuous credit arrangement
- 7.2** If you use your Purchasing Card in any of the aforementioned methods; it may result in card withdrawal, disciplinary proceedings **and/or criminal charges.**
- 7.3** If you are uncertain whether to use your Purchasing Card for your purchase, please discuss what you would like to purchase with the Procurement Service or the Transaction Centre.

Contact Details:-

Procurement Service – Procurement@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

8. What responsibilities does a Card Holder have?

8.1 Cardholders are **responsible and accountable** for **ALL** purchases made on their card.

As a cardholder, you **MUST**:

- Complete mandatory e-learning course
- Ensure you have read and understood the Working Instruction guidance and sought advice from appropriate sources if unsure on any points within this Policy and/or its supporting documents.
- Review transactions on a weekly basis **and ensure that;**
 - **The transactions are legitimate and correct**
 - **The relevant supporting receipts / invoices are attached to the record**
 - **Correct VAT coding has been assigned (if applicable)**
 - **If VAT has been assigned; that a valid VAT receipt has been attached**
- Prevent unauthorised use by keeping your card in a secure place, just as one would a personal credit card. Do not leave it on your desk or in an unlocked drawer. If you put your card in your wallet or purse, make sure that it is away from your own personal credit cards so that it is not used in error.
- If you change your name, office or statement address, transfer to another job/department, you must email the Transaction Centre who will notify the bank and a new card will be issued if necessary.
- If your card is cancelled/reissued you must destroy your card by either shredding it or cutting it into pieces ensuring you cut through the 3 digit security code and the 16 digit card number prior to disposal.
- If you leave employment of the Council; your line manager will request the return of your card as part of the leaver's checklist.
- Within working hours, if the cardholder suspect their card has been lost, stolen, misused or that the PIN number has been compromised; the cardholder must immediately email the Transaction Centre who will notify the Bank and your card will be cancelled and a replacement will be issued.
- If Out of working hours, please contact the Bank direct where you will need to give them all the information that you have pertaining to the loss, theft or misuse.
- Once you have reported the loss, theft or misuse of a card you must not use the card it must be destroyed as previously detailed.

PLEASE NOTE: The mandatory e-learning course must be taken each year by the anniversary of your card issue date. Failure to do so within 28 days of this date will result in your card limit will be reduced to £0 until the training is completed.

9. What responsibilities does a Card Holder's Approver have?

9.1 As an Approver of a cardholder, you **MUST:**

- Complete mandatory e-learning course
- Ensure you have read and understood the Working Instruction guidance and sought advice from appropriate sources if unsure on any points within this Policy and/or its supporting documents.
- Approve transaction on a weekly basis, where you have completed the relevant checks to ensure that;
 - The transaction is legitimate and correct
 - The relevant supporting receipts / invoices are attached to the record prior to authorising any transaction
 - Correct VAT coding has been assigned (if applicable)
 - If VAT has been assigned; check that a valid VAT receipt has been attached
- Ensure that your cardholders adhere to the guidance and instructions within the Policy and supporting documents.
- Any transaction that is approved without the correct process being followed may result in the 'Authorising Officer' facing the removal of authorisation rights and/or disciplinary action.
- If a Card Holder leaves the Council you must collect their card as required within the leavers checklist, notify the Transaction Centre and destroy it by either shredding it or cutting it into pieces. Please ensure you cut through the 3 digit security code and the 16 digit card number prior to disposal.

10. How do I cancel a Purchasing Card?

10.1 To cancel a Purchasing Card please contact the Transaction Centre (This can be done by the cardholder or approver) providing the following details:

- Full name of the Card Holder
- The last 4 digits of the card number (The 16digit long number on the front of the card)
- Confirm that the card has been destroyed by making a cut through the 3 digit security code, the 16 digit card number and the signature strip on the back of the card. Carefully dispose of the pieces in appropriate separate waste bins.

11. Policy Governance

11.1 In applying the Purchasing Card Policy due regards must be taken to complying with:

- All relevant national law and EU procurement law;
- The Constitution, including the Contract Standing Orders as part of Section H of the Financial Regulations.
- Terms and Conditions of use contained within this Policy.

11.2 Negligent misuse of the Purchasing Card may result in the withdrawal of the card and disciplinary action. Where the misuse is suspected of being criminal in nature, a referral will be made to the Counter Fraud Services Team within Devon Audit Partnership, who will investigate fully. Plymouth City Council has a zero tolerance approach to fraudulent activity in line with its [Anti-Fraud, Bribery and Corruption Policy](#) and [Strategy and Response Plan](#), therefore should any investigation conclude there is sufficient evidence to warrant prosecution, Plymouth City Council may choose to prosecute any potential offender. Regular updates will be provided to the Section 151 Officer.

11.3 The mandatory e-learning course must be taken each year by the anniversary of your card issue date. Failure to do so within 28 days of this date will result in your card limit will be reduced to £0 until the training is completed.

11.4 Transactions made using the Purchasing card must be reviewed and approved; following the guidance within the Reviewer / Approver guides. If this is not done within 28 days of the transaction(s) the Purchasing card spend limit will be reduced to zero until the outstanding transaction(s) have been approved and processed. Persistent non compliance may result in your card being suspended.

12. Terms and Conditions of use

The Terms & Condition of use as set out below are issued to all card holders of Purchasing Cards within Plymouth City Council.

12.1 **Signing the Card** - Sign the back of the card as soon as you receive it. By signing the Purchasing Card you are also acknowledging and accepting the respective Terms & Conditions of use as set out below; compliance is mandatory to continue to use your card.

PLEASE NOTE: If you **do not accept** the Terms & Conditions of use, please cancel your Purchasing Card as set out in section 10.

12.2 **Use of the Purchasing Card** - The Card is issued to you for the purposes of assisting you in the purchase of goods and services which are necessary to be procured in the course of your duties as an officer or employee of Plymouth City Council. The cardholder must follow the established procedures in the use of the Purchasing Card and use the Purchasing Card only for purchases which are:

- Purchases made on behalf of Plymouth City Council, and/or
- Have been duly authorised or are within your authority to make.

12.3 The Purchasing Card **cannot** be used for any other purpose. Any use of the Purchasing Card for your private purposes is unauthorised and could result in disciplinary or even criminal proceedings.

12.4 The cardholder must use the Purchasing Card **only** within the expenditure and usage limits as set out by the Cardholder Type (Section 4).

12.5 The cardholder **must not** use the Purchasing Card in a manner that is prohibited by law.

- 12.6** The cardholder **must not** use the Purchasing Card before the commencement date or after the expiry date printed on the face of the Purchasing Card.
- 12.7** In using the Purchasing Card; the cardholder must comply with such verification and security procedures as are from time to time notified to you by the Procurement Service/Transaction Centre and/or the Bank.
- 12.8** The Purchasing Card may not in any circumstances be used to guarantee payment of any cheque to a third party or as evidence of identification to support the encashment of a cheque or to obtain cash.
- 12.9** The cardholder may be held responsible for and be required to pay for any transaction made using the Purchasing Card that is in breach of or arises out of a breach of these Terms & Conditions of Use.
- 12.10** Use of the Purchasing Card as a form of payment does not affect the applicability of relevant procurement legislation or Plymouth City Council Contract Standing Orders.
- 12.11** The Terms & Condition of Use and all matters arising out of the issue or use of the Purchasing Card are subject to the Laws of England.
- 12.12** These Terms & Condition of Use may be amended at any time by agreement between Plymouth City Council and the contracted service provider.

13. Care of the Purchasing Card and Security

- 13.1** The cardholder will be responsible for taking proper care of the Purchasing Card and will not allow any other person possession of the Purchasing Card; or to use the Purchasing Card; or to use the information on the Purchasing Card for the purpose of purchasing goods.
- 13.2** The cardholder must follow the appropriate guidance within Section 8, if you become aware, or suspect that the Purchasing Card has been lost, stolen or damaged or is being used, or the information on the Purchasing Card is being used by someone else.
- 13.3** The cardholder must log onto Service Providers Spend Management system weekly even if you have not used your Purchasing Card to ensure that there are no fraudulent transactions. If there are; these need to be reported to your line manager/Approver and the Transaction Centre.
- 13.4** The cardholder will keep all receipts or vouchers and information issued to you on making a transaction using the Purchasing Card and file electronically by attaching to the purchase transaction within the service providers Spend Management System.

14. Property

- 14.1** The Purchasing Card is the property of The Council Bankers. Your right to use the Purchasing Card may be cancelled, suspended or restricted at any time. You will give the Purchasing Card back to the Transaction Centre immediately upon request or follow instructions within Section 10 if instructed to cancel your Purchasing Card.

Audit and Governance Committee



Date of meeting:	22 March 2021
Title of Report:	Internal Audit Report: Executive Office – Electoral Registration 2020/21
Lead Member:	Councillor Peter Smith (Deputy Leader)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Craig Moodie & Glenda Favor-Ankersen
Contact Email:	craig.moodie@plymouth.gov.uk/glenda.favor-ankersen@plymouth.gov.uk
Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The report provides progress in responding to the recommendations made by a Select Committee of the Council that reviewed the 2019 registration issues at its meeting in January 2020:

To schedule an audit report on the Electoral Register following the May 2020 Local Elections, and to provide a progress update on the recommendations to Scrutiny Management Board by the end of July 2020.

Note: The new process involved in administering the Reformed Annual Canvass of Electors and redeployment of a number of electoral services team member caused the delay in starting the audit. The audit started in November 2020.

Recommendations and Reasons

The audit report submitted by Devon Audit Partnership made a number of recommendations in relation to:

- Remediation of Historic Errors
- Process and Data Controls (including Quality Assurance)

The Audit and Governance Committee are asked to consider and comment on the attached report and action plan.

Alternative options considered and rejected

Not Applicable

Relevance to the Corporate Plan and/or the Plymouth Plan

Corporate Plan – one of the Council's values is that it is democratic and will provide strong community leadership and work together to deliver our common ambitions. This briefing helps to ensure that the Council is following the correct guidance and procedures when undertaking democratic processes.

Implications for the Medium Term Financial Plan and Resource Implications:

None

Carbon Footprint (Environmental) Implications:

The increased use of digital technologies by Electoral Services to engage with existing and prospective electors reduces the use of paper, photocopying and potential need for members of the public to travel.

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.*

Electoral Services modified the way in which the 2020 Canvass was conducted in order to reduce the risk of infection during the Covid-19 pandemic.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Report: Executive Office – Electoral Registration 2020/21							
B	Equalities Impact Assessment (if applicable)							

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 unpublished 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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	djn.2 0.21. 268	Leg	It/363 31/1 1032 1	Mon Off	It/363 31/1 1032 1	HR	N/A	Assets	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: Giles Perritt											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 11/03/2021											
Cabinet Member approval: Councillor Pete Smith (Deputy Leader) <i>approved by email</i> Date approved: 10/03/2021											

This page is intentionally left blank

Service Objective	
To discharge the Council's obligations in providing effective Electoral Services to its Citizens.	
Audit Opinion	Direction of travel
Reasonable Assurance There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	

Assurance Opinion on Risks or Areas Covered	Level of Assurance	Direction of travel
- key concerns or unmitigated risks		
Remediation of Historic Errors – Remedial Actions taken in respect of historic incidents and errors have been effective.	Reasonable Assurance	
Process and Data Controls – Process controls ensure that data integrity and accuracy is effectively maintained.	Reasonable Assurance	
<i>These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed</i>		

Introduction

A range of administrative issues occurred prior to, and during, the 2017 General Election, with the most significant being the problems experienced revolving around postal voting. Immediately following the 2017 General Election, the Council commissioned Dr David Smith* to investigate what happened and why so that lessons could be learned. The resulting report formed the basis of the Council Action Plan from which a range of internal work streams were created and resourced.

In the lead up to the December 2019 General Election it was identified that erroneous entries had been included on the three parliamentary electoral registers administered by Plymouth's Electoral Registration Officer (ERO). Once again, prompt action was taken and the Council sought the advice of Peter Stanyon, the CEO of the Association of Electoral Administrators (AEA). The significance of the problems experienced required the ERO to seek the advice of other EROs, the Council's legal team and, for the Returning Officer (RO) to notify and meet with the Electoral Commission.

Peter Stanyon, and his colleague Angela Holden, have recently been commissioned to provide further independent review of the processes for administering the Electoral Register with a view to creating an environment of 'Zero Tolerance' of avoidable errors. As part of this exercise, a discussion was held to help form the scope of the work that Devon Audit Partnership (DAP) would undertake so that resources were used in the most appropriate and effective way.

In order to complement the most recent report provided by the AEA, work has specifically been undertaken to assess the robustness of the Electoral Registration process control environment. Particular attention has been paid to the controls used as part of the multiple end-to-end data streams that are used to populate the Local and National Electoral Registers.

The legislative requirement for the Council to optimise the number of its eligible residents who are registered and thus eligible to vote represents a significant change from the historic emphasis upon prospective electors to register and vote. Modernising citizen engagement is essential to ensure that reach and electoral education are effective and assist the Council in fulfilling its obligations.

The work conducted by DAP looks to provide additional assurance that the remedial action taken in respect of the electoral problems and issues of the past three and a half years has been effective. Specific attention has been paid to the registration issues impacting the December 2019 General Election, administrative processes and Quality Assurance (QA).

Executive Summary

It is pleasing to report that the efforts taken to remedy the errors made within the Council electoral registration processes between April 2017 and December 2019 have been largely effective. The strength of the governance process, in particular, provides a high level of assurance that lessons have been learnt and appropriate remedial action taken or, where ongoing, suitably monitored.

The level of transparency and use of independent subject area experts also is worthy of note and also contributes strongly to assurance. Subject area expertise has been used to provide independent appraisal of incidents and occurrences, and, the registration processes in place. The observations and learning provided by both internal and external review further strengthens top to bottom governance in respect of overall process and understanding.

As a result of the report produced by Dr David Smith in September 2017, extensive work was undertaken to develop and fulfil a formal Service Improvement Plan. The formal Service Improvement Plan contains an Action Plan that was last reviewed on 1st July 2020 by the Head of Electoral Services. Progress against a limited number of actions remain 'ongoing', with one of these actions considered by the Auditor to be largely completed.

The 2017 Improvement Plan is now largely obsolete due to the number of completed and historic actions. However, it would be beneficial to review and utilise the principles and purpose behind the actions to inform ongoing service improvement and risk management. A periodic review process that includes the ARO and other key stakeholders should be considered to drive continual service improvement and re-invigorate progress where targets have not been met.

There are now multiple layers of control to prevent the re-occurrence of the December 2019 issues that revolved around the erroneous entries included on the parliamentary electoral registers. Internal and external data are now only used to add electors as "pending electors", whereas the previous issues were caused by the names in the data being passported as electors without the individuals having applied themselves to be registered.

A series of controls are now complied with to ensure that pending electors fulfil all necessary requirements for their inclusion on the electoral register and subsequent right to vote. Following completion of the Canvass and formal submission/publication of the Electoral Register, a series of checks are performed by Electoral Services staff. The Electoral Register is also subject to an independent check by officers of appropriate status and skill sets to ensure no repeat of the previous issues and, to verify that records have the correct dates and markers.

The issue of including young prospective voters on the Electoral Register prior to meeting eligibility (18 years old on the date of the election) has also been appropriately addressed. In addition, all elections staff and independent quality assurance officers are fully aware of a control weakness in the Civica Xpress

Electoral Management System (EMS) system that does not utilise the prospective voters' Date of Birth (DOB) within its programmed eligibility controls. Checks are also made to ensure that all necessary data fields are complete and that all entries on the Electoral Register are evidenced as appropriate within Civica Xpress. The latter control applies the Electoral Register as a whole.

Electoral Services have been effective in ensuring that lessons of the past have been learnt and applied, but it must ensure that it continues to look forward so that all risks are identified on a timely basis and appropriately mitigated. The review of process and QA proposed by AEA should be harnessed to provide better transparency of process risks and provide greater assurance to Senior Management. Any process reviews should be used to further knowledge, benefit team communication and, further evolve an ethos of compliance and quality.

To complement the work and findings of AEA, DAP focussed on the systems in place to administer electoral data and the building of internal knowledge regarding the process risks and controls. Whilst individual controls are generally of a good standard, DAP strongly support AEA's recommendations for Electoral Registration staff to conduct a review of processes. In accordance with AEA's recommendations, DAP will also perform a review of the revised processes to provide Senior Management with further assurance.

Further work to improve processes and mitigate associated risk and control have rightly focussed on elevating the confidence of all stakeholders in the Electoral Registration system. Electoral Services are currently operating under increased scrutiny to mitigate risks in an environment of heightened reputational risk due to the historic errors and incidents. Operational processes must, therefore, be designed to reflect the need for greater assurance.

The review confirmed that opportunities remain to improve existing QA processes and enhance their value. Whilst QA as referred to within the AEA report is being conducted, the Auditor considered that those in place operated largely as controls and were not fully effective in terms of providing process assurance and contributing to quality. Appropriately designed QA processes should be harnessed to provide Senior Management with significant assurance that operational activities are compliant with agreed process and procedures.

The Council's pending Digital Strategy will form the basis for improving and increasing online interaction with residents within the City. Electoral Services have already implemented aspects of the Xpress EMS that enable two-way electronic engagement with local residents in respect of both registration and the Annual Canvass of Electors processes.

Whilst there are risks associated by changing processes, engaging with existing and prospective electors electronically better mirrors the overall customer experience in obtaining services and goods in their everyday activities. Crucially, by making registration processes easier and more familiar the Council goes a long way to fulfilling the requirement to maximise registration.

The Civica Xpress EMS has many strengths as would be expected from a solution that maintains contractual obligations with the Cabinet Office. However, the audit review identified that there are potential weaknesses in terms of the way in which it imports data and in its internal data flows. The identification of risks at each point data is moved from one state or location would help ensure that any weaknesses can be supplemented with additional controls.

Electoral Services team must also guard against making processes so restrictive that they consume a disproportionate amount of operational resource. Each control must be at an appropriate level and effective QA processes must enable compliance to be clearly demonstrated. In addition to reviewing operational processes team members should have their knowledge of risks and how these are mitigated strengthened. This would provide control through understanding and team ethos, and help evolve a more organic control environment

Findings & Observations

Governance

Electoral Services should continue to look at ways to improve the way in which services are delivered. In terms of governance, opportunities are minimal, yet fundamental, being largely limited to the ongoing development of skill sets, knowledge and communication.

Electoral Services benefit from the experience, wisdom and combined attributes provided by their senior members of staff. However, some members of the team remain relatively inexperienced and will benefit from ongoing learning. The review identifies that many of the process controls used in administering electoral data ultimately rely on staff judgements, and this is an area that needs to be strengthened. What may be considered to be marginal improvements in each area of operation would strengthen the overall control environment.

Within the control environment, process risks and the controls required to mitigate them constantly change (for example, the move from paper based systems to a more electronic and bulk data driven process as well as a change in skills and understanding of associated risks). All process reviews should involve the Electoral Services team as a whole, not only to benefit learning, but to strengthen team working, mentoring and communication.

Throughout the audit review process, we recognised a strong commitment to fulfilling the Council's obligation to maximise the number of electors and to comply with statutory requirements and associated electoral standards. Staff are expected to seek guidance whenever unsure about a point of process so that operational decision making is compliant and consistent.

The Electoral Service Library contains multiple document hyperlinks that the Auditor was unable to use to visit the primary documentary guidance. The 'knowledgebase' provided by the 'Library' is an important mechanism for ensuring standards and compliance and should be maintained to encourage its use.

Civica Xpress EMS

The market leading Civica Xpress EMS provides an effective and compliant electoral solution that has enabled the Council to modernise the means of interaction with the City's electorate.

Civica Xpress EMS assists the strengthening of regulatory compliance and in the meeting of standards. This is achieved by the way the solution is designed and written and importantly all version changes require 'sign off' from the Cabinet Office prior to their release to client local authorities.

Both the solution design and associated guidance help provide consistency on both a local and national level. The solution helps 'hand hold' users in managing elector data in a legislatively compliant way and uses prompts to highlight where actions potentially deviates from this. The level of documented guidance that supports the solution was found to be of a high quality and sufficiently detailed. The extensive and well-structured online documentation provides users with both pictorial process maps and in granular narrative.

The review identified that the transfer of electoral information and data between the national and local registers does not benefit from traditional and transparent batch transfer controls that validate the movement of data between systems. The use of computerised scripts and workflows distribute data to specific areas of the Xpress solution pending manual intervention and further distribution as appropriate. Compensating controls are relied on to provide assurance that data is transferred and received completely and with full data integrity.

At a national level, the compensating controls exist in the form of the contractual relationship between Civica Xpress and the Cabinet Office in providing a robust and legislatively compliant solution to the 300 plus local authorities that use it. The very large client numbers should provide an effective means of identifying any anomalies in data processing activities. However, these controls rely on Civica Xpress to identify and inform the Council of any processing errors that may potentially impact the integrity of the Council's Electoral Register.

The import of data from third parties remains challenging and is an area that would benefit from a more thorough understanding of the risks involved within Electoral Services, so that the controls are effective, efficient and proportionate to the risk. The lack of traditional batch controls within Civica Xpress requires the use of locally designed control processes. These require further development to ensure that the integrity of all data imported is maintained and that records are updated appropriately.

Strong Management/ Audit Trails exist within the Civica Xpress system to record who actioned what and when. Furthermore, evidence to validate the elector's right to vote is maintained within the Civica Xpress business solution and build histories against individual residencies.

The Control Environment & Key Control Mechanisms

The complex and ever changing operational risk environment in which the Council must deliver its services presents administrative and resourcing challenges that represent risks in their own right. In reality, it is impossible for any service to formally recognise and mitigate all risk at every level of its strategic and operational processes within the finite resources available.

The need for Covid safe elections in May 2021 presents additional challenges and associated risks. Even with widespread vaccination within the population it is unlikely that the electoral process would be totally free of infection related risks and needs to be managed accordingly. This will not only consume administrative resources, but also potentially dilute focus.

Within a service's overall control environment, process risks, and thus the controls required to mitigate them, also change. The greater use of electronic data to gather, store and administer electoral registrations, provides significant advantages, not least because the elector is effectively providing their details verbatim without the risk of input error. However, additional risks are associated with data integrity and information governance and these require full understanding and the creation of new control processes if a 'zero tolerance' approach is applied.

As previously stated, Electoral Services benefit from strong governance processes, but these are further strengthened when risks are understood instinctively. Existing control processes and the overall control environment in which they operate are generally robust. This said, it is clear that the sheer number of electors and the wide variations in their respective circumstances create operational challenges in ensuring legislative compliance and in maintaining data integrity. This is why it is important for all staff to continually develop their knowledge and understand what controls exist to safeguard compliance and data integrity.

Having the right combination of collective skill sets and working culture strongly enhances the control environment beyond those simply provided in the form of granular procedural detail. Senior Management should ensure that any review of electoral processes provides opportunity to develop and enhance learning within the electoral service. This also helps fulfil the requirement of the AEA report regarding the review and ownership of registration processes by the Electoral Registration Team.

Most value will be obtained if all controls operating within processes are identified and highlighted in order to provide transparency and understanding to all involved. As part of the review process DAP have discussed existing controls with the Registration, Data and Performance Manager and highlighted where they exist in full or, compensating within a wider control environment. DAP agreed with the Head of Electoral Services that they will provide a Risk And Control workshop for the Electoral Team prior to the internal review of processes. Two training workshops have now been completed by Electoral Registration staff and the associated learning assignments undertaken have also been captured to aid the review process.

Secondary independent checks and use of checklists were identified as being in place. However, the more extensive use of these control mechanisms should be strongly considered as well as their potential use to provide Senior Management with further quality assurances.

Whilst at the time the Internal Audit review commenced two positions were vacant, limiting available resources, these position have now been advertised with appropriate attributes being detailed within job descriptions and 'person spec'. As discussed within this report, staff resources should always be optimised through recruitment, learning and continual improvement.

The review performed a high level examination areas of control which included:

- Data transfer between local and national registers;
- The Canvass;
- Processing within Xpress;
- Special category electors;
- Maintaining property records;

- Third Party Data;
- Printing.

Within control areas identified above, specific attention should be paid to the operational actions that move data from one state or location to another. The risks should be understood and the controls in place identified and strengthened where necessary. This will provide procedural clarity and understanding for staff, as well as transparency and assurance for Senior Management.

Information Governance

The Electoral Register provides a definitive list of names and addresses, data that is highly sensitive with some particularly at risk requiring complete anonymity. The Electoral Registration Services Risk Register identifies and demonstrates evidence of appropriate mitigating actions.

The risk environment is constantly changing, and so periodic revision of risk registers should continue. Further discussions are to be had regarding the computerised risks which are currently not separately identified. However, these may already be appropriately mitigated with operational processes currently undertaken by Delt.

Quality Assurance (QA)

The points made in this section relate to opportunities to the provision of assurance around end-to-end administrative processes. However, these are likely to provide supplementary assurance which may differ from electoral QA best practice upon which existing processes should be measured.

AEA have confirmed that the QA (control of) significant events to be effective and even to be considered exemplars. Once again, as part of process and QA reviews, consideration should be given to optimising the value of these significant event QA processes where possible.

It must be recognised that QA means different things to different organisations, services and functions, as well as individuals. Therefore, it would be beneficial to all stakeholders for an Electoral Services operational QA definition. As an example, baseline statement for operational QA could be provided by defining:

- Quality - as maintaining and enhancing Senior Management's expectations of operational quality, and;
- Assurance - to be the process of providing stakeholders of demonstrable compliance with agreed internal administrative processes and standards.

Wherever appropriate it would be beneficial for the control process to contribute to the quality assurance process and, as such, process and QA reviews should be performed in parallel. Where controls both mitigate risk and contribute to management assurance there may be opportunities to capture this information within the QA process.

The recommendations regarding these issues are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. No such issues were identified.

Robert Hutchins
Head of Partnership

Detailed Audit Observations and Action Plan

<p>1. Risk Area: Remediation of Historic Errors - Remedial Actions taken in respect of historic incidents and errors have been effective.</p>	<p>Level of Assurance</p> <p>Reasonable Assurance</p>
--	--

Opinion Statement:

The Council has done everything that would be expected of it to learn and remedy historic errors within its Electoral Service activities. The high standard of governance and use of independent subject area experts to help form remedial actions plans contribute to what amounts to 'Substantial Assurance'. Control processes to ensure that pending electors fulfil all necessary requirements for their inclusion upon the Electoral Register are now significantly more robust. Furthermore, there is a greater and wider understanding of the weaknesses that led to the previous erroneous inclusions. However, the occurrence of a limited number of errors in the period between June 2017 and November 2020 necessitate the assessment that there is 'Reasonable Assurance' in this area.

The Civica Xpress EMS provides a high level of control in respect of electoral practice and fulfilling obligations and opportunities to optimise the number of Citizens registering their right to vote.

No.	Recommendation	Impact / Priority	Management Response
1.1	Review the formal Improvement Plan created in response to the September 2017 issued by Dr David Smith. Utilise the principles and purpose behind the actions to inform ongoing service improvement and risk management.	Low	<p>The July 2020 Service Improvement Plan has been reviewed and updated to incorporate the recommendations made in the AEG and DAP reports. This will ensure that there is one record for all recommendations and actions. All actions taking in response to recommendations will be recorded in order to provide a clear audit trail.</p> <p>Responsible Officer: Head of Electoral Services Target Date: Actioned</p>
1.2	Consider introducing a periodic review process to drive continual service improvement and re-invigorate progress where targets have not been met.	Medium	<p>Periodic review and amendment/revision of existing action plans will be scheduled to coincide with major registration and election activities e.g. pre-Canvass and post-Canvass, pre-publication of nomination and polling station registers. Formal reviews will initially occur on a quarterly basis with progress made in respect of service improvement being monitored and reported to The Chief Executive and Assistant Chief Executive.</p> <p>Responsible Officer: Head of Electoral Services Target Date: 31/05/2021 (then Ongoing)</p>

NOTE: Whilst contributing to future assurance in this area, all other recommendations are captured within the section below.

2. Risk Area: Process and Data Controls (Including QA): Process controls ensure that data integrity and accuracy is effectively maintained.	Level of Assurance Reasonable Assurance
--	---

Opinion Statement:

Process controls are predominantly appropriate and effective. The increased reliance on computerised interaction with local citizens and third parties provides many benefits but changes the risk environment and the specific data integrity risks. The review also confirmed that, whilst the Civica Xpress EMS provides an excellent platform upon which a compliant Electoral Register is administered, there are some process control weaknesses that require understanding and the creation of additional controls to further reduce risk. These weaknesses relate to the use of workflows that do not contain traditional ‘batch’ controls to ensure the appropriate processing of data and the need for high volumes of manual actions. Therefore, the opportunity to review electoral registration administrative processes and the overall control environment in granular detail will be highly beneficial.

There is value to be added to both the levels of assurance for all stakeholders, match controls with the changing risks and benefit learning and knowledge within the Electoral Services Team.

No.	Recommendation	Impact / Priority	Management Response
2.1	Adopt and action the findings and recommendations made within the recent AEA report, reviewing operational and quality assurance processes as appropriate.	High	One encompassing Service Improvement Plan has been produced and is cross referenced to the AEA and DAP reports. This document will be reviewed and updated before and after major registration and elections activities. (See also Recommendation 1.1) Responsible Officer: Head of Electoral Services Target Date: Actioned
2.2	Prior to the review of operational and QA processes, Internal Audit should provide a Risk and Control workshop for the Electoral Team prior to the internal review of processes.	High	DAP have now provided two “Risk and Control” workshops to the Elections Team. Training provided consisted of an initial two-hour session after which attendees were required to conduct an exercise to apply their learning to three tasks undertaken as part of their electoral duties. The second session was used to discuss the ‘homework’ exercise and to advocate the potential use of RACI (Responsible, Informed, Consulted, Informed) matrices. Responsible Officer: Head of Electoral Services & DAP Senior Auditor (IT) Target Date: Actioned

Page 116

No.	Recommendation	Impact / Priority	Management Response
2.3	Require Internal Audit to perform reviews of revised processes and QA mechanisms, as described within the AEA report	High	<p>Current operational processes, process maps and Quality Assurance mechanisms are to be reviewed as follows:</p> <ul style="list-style-type: none"> For electoral registration processes during the canvass – reviewed and updated before and after publication of revised register. For election activities – being reviewed as the processes are being done for May 2021 elections preparation. All processes will be reviewed again, after the elections, as part of lessons learnt process. File/folder management system being reviewed in order to ascertain whether “fit for purpose” as part of the elections preparation and will be reviewed after elections and before canvass preparation in June. <p>DAP to advise as required and undertake a formal review of all revised procedures.</p> <p>Responsible Officer: Head of Electoral Services & DAP Senior Auditor (IT)</p> <p>Target Date: 30/04/2021</p>
2.4	Utilise the process and quality assurance reviews to benefit knowledge, communication and further evolve an ethos of compliance and quality.	Medium	<p>Process and quality assurance reviews have been incorporated into the Service Improvement Plan. Training, mentoring, communication will be incorporated as part of additional softer controls that are to be explored within the team (including recognising the difference between knowledge and wisdom).</p> <p>Responsible Officer: Head of Electoral Services</p> <p>Target Date: 31/05/2021 (then Ongoing)</p>
2.5	Continue to acknowledge the importance of communication between team members.	Medium	<p>Electoral Services have scheduled team meetings on Mondays and Fridays in which two-way dialogue is encouraged. The wider use of RACI's to better define roles, responsibilities and communication is being explored.</p> <p>Responsible Officer: Head of Electoral Services</p> <p>Target Date: 31/05/2021</p>

No.	Recommendation	Impact / Priority	Management Response
2.6	Ensure that the Electoral Services document Library is updated as necessary, including content and all hyperlinks.	Low	<p>The Elections folder is being managed using best practice and proven filing system used by partner LAs. A review will be conducted after the May 2021 elections to confirm that it remains fit for purpose and to identify what can be done to streamline file management and file naming conventions. Work will commence during April 2021 and be finalised by 31/05/2021.</p> <p>Responsible Officer: Head of Electoral Services Target Date: 31/05/2021</p>
2.7	<p>Define QA to differentiate between operational controls and the provision of formal assurance to stakeholders and the maintenance and enhancement of operational quality.</p> <p>* This may include the controlling of multiple risks through one control activity, operational controls that contribute to QA or, QA to learning.</p>	Low	<p>The issue of what differing quality assurance processes provide was discussed with operational examples as part of the training workshops provided by DAP. This has provided context and allowed the Electoral Services Team to consider how continually improve quality and provide assurance to key stakeholders both individually and collectively. Work to develop more effective operational QA procedures will be conducted as part of the review of operational processes, with QA check processes and reporting being refined during summer 2021.</p> <p>Responsible Officer: Head of Electoral Services Target Date: 30/09/2021</p>
2.8	Capture and analyse positive and negative feedback received from electors (registered or prospective). Use this information to inform process or learning as appropriate, including elector education.	Low	<p>Information is already being gathered from survey, issues log (from Call Centre emails and Firmstep) and Lessons learnt (wash up meetings after every major activity). The Electoral Services Team has a strong ethos of gathering feedback and benefitting from lessons learnt. A BAU activities "Issues and Lessons Learnt Log" has been in place since 2nd December 2020. This, and other sources, will be used to identify any operational improvements prior to the pre-planning process for the 2021 Canvass.</p> <p>Responsible Officer: Head of Electoral Services Target Date: 30/09/2021</p>

No.	Recommendation	Impact / Priority	Management Response
2.9	Consider the more extensive utilisation of data analytics (ClearCore, PowerBI) to provide assurance on data quality, provide meaningful measures and provide business intelligence.	Opportunity	<p>Electoral Services will work more closely with the Digital Transformation Team in order to further explore the use of data analytics. The use of more defined working relationships to take advantage of any opportunities presented by the greater use of Clearcore and PowerBI will also be further explored in respect of data quality and quality assurance.</p> <p>The quality of data within Civica Xpress and that provided by feeder sources will be subject to greater scrutiny. This will include format standards and continually improving the quality of data from both within the Council and third party sources.</p> <p>Responsible Officer: Head of Electoral Services Target Date: 30/09/2021</p>

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority




Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge and North Devon councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk

Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time, actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

This page is intentionally left blank

Audit and Governance Committee



Date of meeting:	22 March 2021
Title of Report:	Operational Risk & Opportunity Management Update Report
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Robert Sowden
Contact Email:	robsowden@plymouth.gov.uk
Your Reference:	AL/RS
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with corporate planning, projects, change programmes and partnerships.

This report now outlines the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has decreased from 114 to 111, comprising of two high (red) risks, 63 medium (amber) risks and 46 low (green) risks.

Recommendations and Reasons

The Audit and Governance Committee is recommended to: Note and endorse the current position with regard to operational risk and opportunity management

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

Operational Risk and Opportunity Registers are aligned to Corporate Plan Performance Framework Outcomes. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

Carbon Footprint (Environmental) Implications:

None arising specifically 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 specifically from this report but community safety and health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Operational Risk Monitoring Briefing							

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 unpublished 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) <i>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.</i>						
	1	2	3	4	5	6	7

Operational risk registers									

Sign off:

Fin	djn.2 0.21. 275	Leg	3633 4/AC /12/3 /21	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Giles Perritt											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 12/03/2021											
Cabinet Member approval: <i>Approved by Councillor Mark Lowry (Cabinet Member for Finance)</i>											
Date approved: 10/03/2021											

Appendix A – Operational Risk Monitoring Briefing**1.0 Introduction**

- 1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on 21 September 2020 and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2021.

2.0 Background

- 2.1 Plymouth City Council's Risk and Opportunity Management [strategy](#) is reviewed each year and updated to ensure it remains fit for purpose. The latest version was endorsed by this Committee on 30 November 2020.
- 2.2 To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility. To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. There are currently two departments where the position of Risk Champion is vacant.

3.0 Operational Risk and Opportunity Registers and Analysis of Risks Identified

- 3.1 The impacts of the Covid-19 pandemic have been felt across all sectors and communities. The initial emergency response phase in Plymouth and the UK has focussed since early March 2020 on taking action to deal with the immediate impacts of the pandemic on our communities, infrastructure and economy.
- 3.2 The Covid-19 situation is dynamic and subject to change in government advice and policy on a weekly, if not daily basis. It has been necessary for staff to be redeployed to deal with the

emergency response and this has had an obvious impact on business as usual activity.

- 3.3** In order for the Council to fulfil its legal obligations regarding the safety of its citizens and service recipients, revision of some business plans will be necessary to mitigate further risks. Services were asked to review their operational risks identifying areas that have been impacted by Covid-19.

4.0 Red Risks

- 4.1** Detail on the red risks reported is shown below. This includes a new red risk raised by the Customer and Corporate Services that relates to the Council's failure to obtain Public Sector Network compliance.

<p>Finance:</p> <p>The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan (MTFP) period (2020-2022)</p>	<p>Risk to Services of not delivering within reduced budgets.</p> <p>The council has prepared quarter three monitoring position. This shows a forecast of £0.027m below budget, which is a better position than the same time last year. The council has been managing the COVID-19 pandemic and associated costs. To date Plymouth has received £22.5m of emergency COVID-19 grant to support in year cost pressures and other grants to support a variety of services areas including support for local businesses. In addition over £3m has been received as part of the income compensation scheme. The council is on the process of setting its budget for 2021/22 and presented a balanced budget to Council in February 2021. The government only provided local government with a one year settlement which means it is extremely difficult to predict the impact upon the council's finances in future years. Longer term and indirect impacts arising from COVID-19, including :</p> <ul style="list-style-type: none"> - Income reduction; - Cost increases; - Addressing the impacts of the pandemic on communities; - Savings plans delayed or offset by the pandemic.
<p>Comments/Mitigation: The 2021/22 budget has now been set by Council and work will continue to ensure the Council delivers within its financial envelop within a very challenging environment. Treasury Management diversification of portfolio to maximise investment income and longer term actions to reduce risks from future interest rate rises. Investment in income earning assets. Ambitious capital programme and strategic investments from income earning assets. Cross department strategy on grant maximisation and regular review of Medium Term Financial Plan and resource position.</p>	
<p>Transformation (Information Governance):</p>	<p>The Public Services Network (PSN) is a programme designed by the UK Government to create one network for all UK public sector organisations. The</p>

<p>Failure to obtain PSN (Public Service Network) compliance from the Cabinet Office</p>	<p>PSN was born out of a need for public sector organisations to save costs and to introduce a level playing field for commercial suppliers. The PSN programme operates within central government, local government, health, defence, education and other public sector bodies.</p>
<p>Comments/Mitigation: The PSN accreditation failed for 2020. Currently being addressed with Information Governance Manager and Intelligent Client Function. There are weekly updates being received by the Council from Delt and the risk has been escalated to the Director for Customer and Corporate Services to oversee actions taken.</p> <p>A new submission is being prepared for 2021 and the current estimate is that accreditation will be achieved by the end of April 2021.</p>	

5.0 Risk and Opportunity Register Information

- 5.1** Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case.
- 5.2** In line with the Council's risk appetite statement, operational risks scored 16 and above that are classed in the low risk appetite categories of 'Finance', 'Reputation' and 'Compliance, Regulation and Safeguarding' are presented to members of the Corporate Management Team. This approach ensures a high level of management oversight is focussed in the areas which could potentially be more damaging should the risk materialise.
- ## 6.0 Conclusion
- 6.1** Actions are being undertaken to mitigate risks identified as red in this report. Mitigation aimed at reducing the likelihood, and the impact of the risk being realised.
- 6.2** Given the challenges facing the Council in the next financial year due to Covid-19, risk identification and monitoring will be more important than ever to help inform future decision making to support our communities.
- 6.2** The vision, values and priorities set out in the Corporate Plan 2018-22 are at the core of the recovery and renewal framework and will continue to form the basis of renewal and recovery planning.
- 6.3** The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be linked to the Corporate Plan is embedded across the Council.
- 6.4** The next operational risk report will be presented to Audit and Governance Committee in September 2021.

This page is intentionally left blank