



**Oversight and Governance**

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Published 18 March 2022

**AUDIT AND GOVERNANCE COMMITTEE**

Monday 28 March 2022  
2.00 pm  
Warspite Room, Council House

**Members:**

Councillor Dr Mahony, Chair  
Councillor Lowry, Vice Chair  
Councillors Bingley, Evans OBE, Laing, Lowry and Shayer  
Independent Members – Mrs Annette Benny and Mr Ian 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. Chair's Urgent Business**

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

#### **4. Minutes (Pages 1 - 6)**

To confirm the minutes of the meeting held on 14 January 2022.

#### **5. Tracking Decisions (Pages 7 - 12)**

#### **6. Audit Actions Review (To Follow)**

#### **7. External Audit Progress Report (Pages 13 - 26)**

#### **8. 2022/23 Internal Audit Plan (Pages 27 - 44)**

#### **9. Treasury Management Practices and Principles (Pages 45 - 100)**

#### **10. Risk & Opportunity Management Monitoring Report (Pages 101 - 124)**

#### **11. Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA) (To Follow)**

#### **12. Work Programme (Pages 125 - 128)**

#### **13. Future dates of Audit and Governance Committees**

The following Audit and Governance Committee meetings are scheduled for 2022/23:

- 25 July 2022 – 2pm

## OFFICIAL

- 29 September 2022 – 2pm
- 28 November 2022 – 2pm
- 16 January 2023 – 2pm
- 20 March 2023 – 2pm

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**Audit and Governance Committee****Friday 14 January 2022****PRESENT:**

Councillor Dr Mahony, in the Chair.

Councillor Lowry, Vice Chair.

Councillors Bingley, Evans OBE, Laing, Lowry and Shayer.

Independent Members: Mrs Annette Benny and Mr Ian Shipperley.

Also in attendance: Ross Jago (Head of Governance, Performance and Risk), Giles Perritt (Assistant Chief Executive), Brendan Arnold (Service Director for Finance), Brenda Davis (Audit Manager) and Helen Rickman (Democratic Advisor).

The meeting started at 2.30 pm and finished at 4.00 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.*

**51. Declarations of Interest**

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

**52. Minutes - To Follow**

The minutes of the meeting held on 29 November 2021 were agreed as an accurate record.

**53. Tracking Resolutions - To Follow**

The Service Director for Finance provided an update on minute 11 'Counter Fraud Services Annual Report 2020/21' which read:

Minute 11 - The Audit and Governance Committee agreed to recommend that Ken Johnson (Counter Fraud Services Manager) meets with the relevant Cabinet Member to discuss the report, specifically with regards to how fraud awareness should be publicised.

Members were advised that a meeting was to be scheduled with the Leader within the next few weeks to discuss the management of fraud risk within the organisation. Officers were also exploring ways to produce metrics around fraud risk with the aim of providing this to the committee in the future.

Members noted the update.

**54. Chair's Urgent Business**

The Chair advised Members that there was one item of Chair's Urgent Business in relation to Plympton St Mary Ward's Polling Districts, Polling Places and Polling Stations Review 2021/2022 –

the papers were circulated prior to the meeting and would be discussed at 24 January 2022 Full Council meeting.

The Assistant Chief Executive advised that whilst there was a degree of consultation set out in the papers, it was hoped that, depending of the outcomes of the committee's discussion on their terms of reference scheduled later in the agenda, that there would be a formal setting to discuss the oversight of the electoral function. It was considered that if this committee had any concerns prior to the Council meeting of 24 January 2021, then Tracey Lee, as the Council's Electoral Registration Officer, would aim to address them.

Under this item the creation and potential workings of the Audit and Governance Committee's sub group was discussed. It was queried if issues that were raised at the sub group could be then be raised at the Audit and Governance Committee, and also if the sub group could be asked to consider specific items of business; it was confirmed by the Head of Governance, Performance and Risk that the Audit and Governance Committee would be the parent committee and recommendations would be required to go through the main committee and specific items could also be referred for consideration.

Members noted the update.

#### 55. **Appointment of External Auditor**

The Service Director for Finance presented the Appointment of External Auditor report to the Committee and advised that there was a national system of procurement for external auditor appointments; this was a system that the Council previously joined and that 2022/23 was the last year of the previously agreed 5 year arrangement. There were three choices available to the committee, namely:

1. for authorities to procure external auditor – this was not considered to be a feasible option as there were only nine registered auditors in the country;
2. to combine the procurement process with other local authorities – this was not considered viable as a consultation with South West Council's demonstrated that other councils had elected to run with the national procurement scheme;
3. to elect to opt into the national procurement scheme – this was the preferred option.

The Council was required to join the national scheme by 11 March 2022 – Council's would then receive notification as to who had won the lot in the area and would then be given an opportunity to suggest an alternative.

Members discussed:

- that the scheme itself seemed very restrictive as the only real option was to go with the national scheme and the Council had no real influence – it was responded that the scheme was put in place nationally after consultation with the LGA and a capable auditors experienced in local government matters and with the technical capability should be appointed;

- that the scheme should be better value for money for the Council as there were so few external auditors in the market that it made sense to opt-in; it was hoped that it would improve the quality of the audit function and cost base;
- would the external auditor offer to look after children or those leaving care?; in response to the question it was highlighted that the national framework was unlikely to allow for added social value from the procurement exercise as this exercise was designed to be efficient and deliver lower costs. The Council was successful in obtaining social value in other procurement contracts it was involved in;
- what were the mechanisms for performance management and mitigation in terms of dealing with the external auditor?; in response Members were advised that processes were in place for dispute resolution. The Council could also contact the PSAA with concerns if required.

The Audit and Governance Committee agreed to recommend to Council that Plymouth accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

(The Local Audit (Appointing Persons) Regulations 2015 require the decision to opt in to the national scheme to be made by a meeting of the Council).

#### 56. **Audit and Governance Committee Terms of Reference**

Ross Jago (Head of Governance, Performance and Risk) presented the Audit and Governance Committee Terms of Reference report. A working group had been convened to consider issues raised by committee members and the group had produced several recommendations for discussion by the committee.

Members discussed:

- concerns that there may be duplication between scrutiny and the Audit and Governance Committee sub group and where it would be appropriate to raise certain issues regarding electoral issues/ street naming issues etc;
- that recommendations from the sub group should go through the Audit and Governance Committee;
- how the sub-committee membership was divided; it was confirmed that it was to be non-proportional;
- where standards issues would be considered; it was confirmed that the sub-committee wouldn't hear standards complaints, but would consider that the processes and procedures were adequate fair and appropriate;
- how the output of the meeting was tracked; it was confirmed that a tracking

decisions document would be included as a standing item on the agenda and reported back to the main committee. The minutes of the sub committee would also be submitted to the main Audit and Governance Committee.

The Audit and Governance Committee agreed:

1. That the Audit and Governance Committee move to a scheduled five meetings per year.

*Reason: To ensure the required meeting time is available for members to adequately perform the core audit role.*

2. That the Chair makes a report and on the activity of the Audit and Governance Committee to Cabinet on a half yearly basis and to Council on an annual basis.

*Reason: This recommendation seeks to increase the profile and influence of the Audit and Governance Committee by providing regular updates and recommendations to Cabinet and an Annual Report to Council in line with CIPFA best practice.*

3. That when considering areas of strategic risk the Audit and Governance Committee make recommendations to other parts of the Council's democratic governance structure.

*Reason: This recommendation seeks to increase the profile of, and manage the committee's workload, through closer working with other parts of the democratic governance structure.*

4. That the committee adopt the CIPFA model terms of reference outlined at appendix I with the inclusion of the overview of the council's family of companies (2.11) and the ethical framework (7)

*Reason: This recommendation ensures that the committee can focus on its core functions and maintain strategic oversight of the operation of the Council's family of companies and ethical framework.*

5. That the committee establishes a non-proportional subcommittee with responsibility for councillor, constitution, and civic issues, the ethical framework and electoral oversight functions.

*Reason: This will enable the parent committee to remain focused on core audit issues and allow the Audit and Governance Committee to benefit from the input of councillors who hold a high level of knowledge and expertise in respect of constitutional issues.*

6. That the number of independent members is maintained, but the requirement to have one independent member to remain quorate is removed.



*Reason: The input of independent members will continue to be essential to the work of the committee. This recommendation will allow meetings to take place whilst providing independent members the flexibility to attend remotely.*

7. Request that the Independent Remuneration Panel consider the allowances applicable to Independent Members.

*Reason: Working group members recommend that the IRP review allowances applicable to Independent Members to ensure remuneration is appropriate to continue to attract high calibre candidates for independent roles across the Council's governance structure.*

*(Under this item Mrs Annette Benny and Mr Ian Shipperley declared an interest when the committee was discussing recommendation number 7 regarding the remuneration of independent members).*

## 57. **Work Programme**

Members noted the work programme for 2021/22.

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## Audit and Governance Committee – Tracking Decisions 2021/22

| Minute No.   | Resolution  | Progress  |
|--|---|---|
| 26 July 2021<br>Minute 11 – Counter Fraud Services Annual Report 2020/21 | <p>The Audit and Governance Committee agreed to:</p> <ol style="list-style-type: none"> <li>1. note the Counter Fraud Services Annual Report 2020/21</li> <li>2. recommend that Ken Johnson meets with the relevant Cabinet Member to discuss the report, specifically with regards to how fraud awareness should be publicised.</li> </ol> | <p><b>Progress:</b></p> <p>Item 1 – Complete – no further action required.</p> <p>Item 2 – Ongoing - the recommendation from committee was forwarded onto Ken Johnson for his action.</p> <p>Update – this was discussed at 11.10.21 meeting under “tracking resolutions” and it was agreed that Brendan Arnold (Service Director for Finance) would liaise with Ken Johnson (Counter Fraud Services Manager) regarding the action to meet with the relevant Cabinet Member to discuss the Fraud report, specifically with regards to how fraud awareness should be publicised; this would be prioritised.</p> <p><i>Update:</i> Ongoing – briefing documents were in preparation and the engagement was expected in the near future.</p> <p>Update from January meeting: Minute 53: “Members were advised that a meeting was to be scheduled with the Leader within the next few weeks to discuss the management of fraud risk within the organisation. Officers were also exploring ways to produce metrics around fraud risk with the aim of providing this to the committee in the future.”</p> |
| 26 July 2021<br>Minute 12 – Committee Training Programme                 | <p>The Audit &amp; Governance Committee agreed:</p> <ol style="list-style-type: none"> <li>1. that as part of the training programme, Ian Fyfield would be approached as well as other external providers to deliver training, and that training</li> </ol>   | <p><b>Progress:</b></p> <p>Item 1 – Ongoing – the training programme is still being developed however approach has been made to Ian Fyfield as suggested and currently awaiting a response. . All members were invited to a training session run by Grant Thornton on 6</p>   |

## Audit and Governance Committee – Tracking Decisions 2021/22

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|  | <p>would be offered to all Members of the Council when considered appropriate to do so;</p> <p>2. that the development of the training programme for the Audit and Governance Committee would include a closer look at how the committee operated going forward, specifically with regards to its terms of reference; the Chair, Vice Chair and key officers would discuss potential solutions;</p> <p>3. to endorse the programme of training being developed.</p> | <p>September 2021. <i>Update</i> - Initial discussions had been had with Ian; this as well as the training programme would be considered and progressed by the new Head of Governance, Performance and Risk.</p> <p>Item 2 – Ongoing - arrangements were being made as to the review of the committee's terms of reference. <i>Update</i> – a working group had met on 8 November 2021 and an update would be discussed at November committee meeting. The terms of reference were to be discussed at 14 January 2022 committee meeting.</p> <p>Item 3 – Complete – no further action required.</p> <p>Update: this would be considered by the Sub Group of the Audit and Governance Committee.</p> |
| Minute 20 - Tracking Resolutions<br><br>11 October 2021        | It was agreed that Brendan Arnold (Service Director for Finance) would liaise with Ken Johnson (Counter Fraud Services Manager) regarding the action to meet with the relevant Cabinet Member to discuss the Fraud report, specifically with regards to how fraud awareness should be publicised; this would be prioritised.  | Please refer above to counter fraud report progress (minute 11) for update.   |
| Minute 25 Updated Whistleblowing Policy<br><br>11 October 2021 | It was agreed that – <ul style="list-style-type: none"> <li>1. all protected characteristics, as set out by law, would be contained within the Whistleblowing Policy;</li> <li>2. a revised document, including the practical application of the Whistleblowing Policy and its success and assurance as to how the policy was</li> </ul>  | <p><b>Date:</b> October 2021<br/> <b>Progress:</b> This has been emailed to the appropriate officer for action.</p> <p>1. Complete - an Officer confirmed that “Discrimination or unfair treatment as a result of a protected characteristic” was covered within the Grievance Policy and did not sit within the Whistleblowing Policy. The Whistleblowing Policy would be amended to highlight this for clarification.</p>   |

## Audit and Governance Committee – Tracking Decisions 2021/22

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|   | <p>applied in practice, would be submitted to the committee;</p> <p>3. the Whistleblowing Policy would be presented to the Audit &amp; Governance Committee on an annual basis;</p> <p>4. the Audit &amp; Governance Committee note the changes and approve the updated Whistleblowing Policy.</p>   | <p>2. Ongoing – this was queried as there were many routes for a whistle-blower so successes and practical application would be difficult to assess. Update: the Policy would be scheduled into the work programme for 22/23 for consideration.</p> <p>3. Complete – this would be scheduled into the work programme on an annual basis</p> <p>4. Complete</p>  |
| 29 November 2021<br>Minute 36 Tracking Resolutions                                  | It was agreed that the Chair and Vice Chair would discuss the issues surrounding the public availability of the Grant Thornton Governance Review report and would report back to the Audit & Governance Committee with an update.  | <p><b>Date:</b> November 2021</p> <p><b>Progress:</b> This is being progressed.</p>   |
| 29 November 2021<br>Minute 42 Risk and Opportunity Management Strategy 2020/2022    | <p>The Audit and Governance Committee agreed to note the Risk and Opportunity Management Strategy 2020 – 2022.</p> <p>It was also agreed that Members would be provided with a process note describing the flow of the risk management process and would provide a timeline. A recent example of how something had been on the register and had been changed would also be provided.</p> | <p><b>Date:</b> November 2021</p> <p><b>Progress:</b> The risk management framework is currently under review and officers of the Performance and Risk Team have met with other local authorities in the region and consulted with a Devon Audit Partnership risk specialist to identify best practice, provide assurance against our approach and consider how the current framework may be developed. An update is likely to be available at the March Audit and Governance meeting with requested information.</p> |
| 29 November 2021<br>Minute 48 Health & Wellbeing Board Change to Terms of Reference | The Audit & Governance Committee agreed to defer the Health and Wellbeing Board – Changes to the Terms of Reference document to the January 2022 committee meeting.  | <p><b>Date:</b> November 2021</p> <p><b>Progress:</b> Due to the development of the Integrated Care System for Devon the Health and Wellbeing Board will undertake a full review of its terms of reference, to ensure alignment with the ICS and Local Care Partnership. A further report will be brought to A&amp;G in March.</p>  |

## Audit and Governance Committee – Tracking Decisions 2021/22

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|   |   | <b>Update:</b> This item will be considered by the Sub Group of the Audit and Governance Committee for their consideration.   |
| 14 January 2022<br>Minute 55<br>Appointment of<br>External Auditor                      | <p>The Audit and Governance Committee agreed to recommend to Council that Plymouth accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.</p> <p>(The Local Audit (Appointing Persons) Regulations 2015 require the decision to opt in to the national scheme to be made by a meeting of the Council).</p>  | <p><b>Date:</b> January 2022<br/> <b>Progress:</b> Complete – this was submitted to 24 January 2022 Full Council meeting and approved.</p>  |
| 14 January 2022<br>Minute 56 Audit and<br>Governance<br>Committee Terms of<br>Reference | <p>The Audit and Governance Committee agreed:</p> <ol style="list-style-type: none"> <li>1. That the Audit and Governance Committee move to a scheduled five meetings per year.<br/><br/><i>Reason: To ensure the required meeting time is available for members to adequately perform the core audit role.</i></li> <li>2. That the Chair makes a report and on the activity of the Audit and Governance Committee to Cabinet on a half yearly basis and to Council on an annual basis.<br/><br/><i>Reason: This recommendation seeks to increase the profile and influence of the Audit and Governance Committee by providing regular updates and recommendations to Cabinet and an Annual Report to Council in line with CIPFA best practice.</i></li> </ol> | <p><b>Date:</b> January 2022<br/> <b>Progress:</b></p> <ol style="list-style-type: none"> <li>1. Complete - 5 meetings have been scheduled for the 22/23 calendar of meetings.</li> <li>2. Ongoing – this will be scheduled into the work programmes for all committees mentioned.</li> <li>3. Ongoing – this will be actioned when appropriate.</li> <li>4. Complete – the committee agreed to this</li> <li>5. Complete – the committee agreed to this – arrangements are being made</li> <li>6. Complete</li> <li>7. Ongoing – a meeting will be convened to discuss this</li> </ol> |

## Audit and Governance Committee – Tracking Decisions 2021/22

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|  | <p>3. That when considering areas of strategic risk the Audit and Governance Committee make recommendations to other parts of the Council's democratic governance structure.</p> <p><i>Reason: This recommendation seeks to increase the profile of, and manage the committee's workload, through closer working with other parts of the democratic governance structure.</i></p> <p>4. That the committee adopt the CIPFA model terms of reference outlined at appendix I with the inclusion of the overview of the council's family of companies (2.11) and the ethical framework (7)</p> <p><i>Reason: This recommendation ensures that the committee can focus on its core functions and maintain strategic oversight of the operation of the Council's family of companies and ethical framework.</i></p> <p>5. That the committee establishes a non-proportional subcommittee with responsibility for councillor, constitution, and civic issues, the ethical framework and electoral oversight functions.</p> <p><i>Reason: This will enable the parent committee to remain focused on core audit issues and allow the Audit and Governance Committee to benefit from the input of councillors who hold a high level of knowledge and expertise in respect of constitutional issues.</i></p> <p>6. That the number of independent members is maintained, but the requirement to have one</p> |  |
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**Audit and Governance Committee – Tracking Decisions 2021/22**

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|  | <p>independent member to remain quorate is removed.</p> <p><i>Reason: The input of independent members will continue to be essential to the work of the committee. This recommendation will allow meetings to take place whilst providing independent members the flexibility to attend remotely.</i></p> <p>7. Request that the Independent Remuneration Panel consider the allowances applicable to Independent Members.</p> <p><i>Reason: Working group members recommend that the IRP review allowances applicable to Independent Members to ensure remuneration is appropriate to continue to attract high calibre candidates for independent roles across the Council's governance structure.</i></p> |  |
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Key:

Grey shaded box = action complete



# Plymouth City Council Audit Update Report and Sector Update

**Year ending 31 March 2022**

March 2022



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

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# Introduction

## Your key Grant Thornton team members are:

### Paul Dossett - Key Audit Partner

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

The paper also includes:

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

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

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

# Update March 2022 – 2019/20 Audit

|  | Planned Date | Status  |
|--|--------------|---------|
| <p><b>Audit of the 2019/20 financial statements</b></p> <p>As reported in our updates to `previous Audit and Governance Committees, our audit work is ongoing. We continue to focus our attention on the Miel transaction and have commissioned our own QC to provide a view regarding the legality of the transaction and the associated rates and adjustment certificate provided by the Actuary. There is a difference of view between the QC instructed by the Council and we are continuing to liaise with officers to resolve this issue. Both ourselves and the Council have agreed to facilitate the respective QC's to meet and discuss the legal issues pertaining to the Miel transaction together.</p> <p>In accordance with auditing and quality standards, we are required to revisit the documentation provided by the Council in relation to government grants received in advance, grants, financial instruments, capital financing and journals. Our work in this area is progressing with additional journals selected for testing. No further areas of concern have been identified from our work reviewing supporting documentation.</p> <p>Our understanding is that management is instructing internal audit to carry out a review of processes within the Council giving rise to issue. This work will be used to inform and support our risk assessment.</p> <p>We have identified a small number of additional areas where further work is ongoing, these include the adequacy of the Council's national non domestic rates appeals provision, the sufficiency of evidence to support the allowance for expected credit losses in financial instruments and the classification of the Council's financial instruments against the requirements of Internal Financial Reporting Standards. It is expected that further adjustments will be required to the financial statements once these issues are resolved.</p> <p>A national issue has arisen regarding infrastructure assets held by local authorities. These are assets which are held at depreciated historic cost. Specifically there is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, the authority may not readily be able to identify the original assets being replaced or enhanced. This could occur where the original spend was booked to a programme reference in the asset register, rather than to a specific geographical reference (in other words, the authority has not maintained records of its component accounting). Guidance has just been issued concerning the additional work required to support our opinion in this area and we are working through the implications for the Council.</p> <p>We are finalising our work on property valuations, having received additional evidence from management.</p> <p>We will continue to update the Audit and Governance Committee regarding progress.</p> | TBA          | Ongoing |

# Audit Update 2020/21

| 2020/21 Deliverables  | Planned Date  | Status   |
|---|---------------|----------|
| <b>Audit Plan</b><br>We presented an indicative audit plan to the Audit and Governance Committee on 29 November 2021. We will continue to review and update our audit planning as a result of any further arising from our 2019/20 audit. We will also issue a final audit plan once the 2019/20 audit has been completed. This will include an update to our proposed approach to the audit of the Council's Value for Money arrangements for 2020/21. | November 2021 | Complete |
| <b>Interim Audit Findings</b><br>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.  | TBA           |          |
| <b>Audit Findings Report</b><br>The Audit Findings Report will be reported to the Audit and Governance Committee.   | TBA           |          |
| <b>Auditors Report</b><br>This includes the opinion on your financial statements.   | TBA           |          |
| <b>Auditor's Annual Report</b><br>This Report communicates the key issues arising from our Value for Money work.  | TBA           |          |

| 2020/21 Audit-related Deliverables   | Planned Date  | Status           |
|--|---------------|------------------|
| <b>Teachers Pensions Scheme – certification</b><br>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform. We issued our report on 1 December 2021.   | December 2021 | Completed        |
| <b>Housing Benefit Subsidy – certification</b><br>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.<br>The certification work for the 2020/21 claim began in October 2021. The Council have asked for and DWP have granted the Council an extension to the deadline of 31 March 2022 for this work. | 31 March 2022 | Work in progress |

# Update as at March 2022 – Background

## Financial Statements Audit 2020/21

We provided the Audit and Governance with an indicative audit plan for 2020/21 at the Audit and Governance Committee on 29 November 2021.

Our audit plan will be reviewed and updated appropriately once the 2019/20 audit has been finalised.

## Value for Money 2020/21

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

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

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. This letter was issued on 28 September 2021.

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

Our initial risk assessment has been built on our understanding of your arrangements, and will continue to be updated as we finalise our 2019/20 audit work. Our key areas of focus will be reported under the following criteria:

- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors’ Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Council’s arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

# Progress at March 2022(cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in October 2021. The Council have asked for and DWP have granted the Council an extension to the deadline of 31 March 2022 for this work.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 began in October and our report was issued on 1 December 2021.

### Meetings

We meet with Finance Officers on a regular basis and continue to be in discussions with finance staff regarding emerging developments and, in particular, the Miel transaction.

### Events

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

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

## Audit Fees

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

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

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

We have assessed the additional costs of our ongoing work for the 2019/20 financial statements audit. The additional costs in relation to the audit have been agreed by PSAA Ltd. These are currently £119,655. This fee includes legal fees relating to the review of the Miel transaction of £15,478 and £5,125 additional valuer expert costs. These are costs paid by Grant Thornton directly to the relevant experts.

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



# Sector Update

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

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

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

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

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

Public Sector

Local  
government



# Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- 1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- 2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

## Summary of the Grant Thornton response

### Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

### Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

# Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



# Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”



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# Audit and Governance Committee



|                          |   |
|--------------------------|---|
| Date of meeting:         | 28 March 2022                                 |
| Title of Report:         | <b>Internal Audit Plan 2022/23</b>            |
| Lead Member:             | Councillor Nick Kelly (Leader)                |
| Lead Strategic Director: | Brendan Arnold (Service Director for Finance) |
| 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

The Public Sector Internal Audit Standards (PSIAS) require the preparation of 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.

To develop an appropriate risk-based audit plan we have consulted with senior management to identify the priority items for inclusion in the 2022/23 Audit Plan. It is essential that the plan can be flexed to incorporate, as appropriate, any new risks which may arise. Any changes to the 2022/23 Audit Plan will be brought back before this Committee.

## Recommendations and Reasons

In accordance with the Constitution, the Audit and Governance Committee to:

- Review and approve the 2022/23 Internal Audit Plan.

## 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 meet the needs of residents, businesses and communities through the delivery of quality public services.

**Implications for the Medium Term Financial Plan and Resource Implications:**

Delivery of the audit plan assists the Council in delivering value for money services and has helped ensure an effective control environment as the Council works to deliver on its corporate priorities.

**Carbon Footprint (Environmental) Implications:**

No impacts directly arising from this report.

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

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**

| Ref. | Title of Appendix               | Exemption Paragraph Number (if applicable)<br><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 2022/23 |  |   |   |   |   |   |   |

**Background papers:**

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)<br><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.21.22.<br>284 | Leg | LS/3817<br>4/AC/1/<br>3/22 | Mon<br>Off | Click<br>here<br>to<br>enter<br>text. | HR | Click<br>here to<br>enter<br>text. | Assets | Click<br>here<br>to<br>enter<br>text. | Strat<br>Proc | Click<br>here to<br>enter<br>text. |
| Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance) |                  |     |                            |            |                                       |    |                                    |        |                                       |               |                                    |
| Please confirm the Strategic Director(s) has agreed the report? Date agreed: 25.2.2022   |                  |     |                            |            |                                       |    |                                    |        |                                       |               |                                    |
| Cabinet Member approval: Cllr Nick Kelly (Leader)  |                  |     |                            |            |                                       |    |                                    |        |                                       |               |                                    |
| Date approved: 08/03/2022  |                  |     |                            |            |                                       |    |                                    |        |                                       |               |                                    |



Internal Audit

# Internal Audit Plan 2022-2023

Plymouth City Council  
Audit Committee

March 2022

**Official**

Robert Hutchins  
Head of Audit Partnership

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| <div><div>Devon Audit Partnership</div><div><p>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.</p><p>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 <a href="mailto:robert.hutchins@devon.gov.uk">robert.hutchins@devon.gov.uk</a>.</p></div></div> | <div><div>Confidentiality and Disclosure Clause</div><div><p>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.</p><p>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.</p></div></div> |
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## 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 2022/23.

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. Circumstances with the pandemic have highlighted the needs and benefits of this approach, where significant in year changes have been made to the 2021/22 audit plan, the plan needs to remain fluid. This ensures that the work of Internal Audit remains aligned to current risks within Service Areas and as a whole for the Authority, enabling us to provide own Head of

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management and the S151 Officer.

The table on the right shows a summary of indicative audit coverage for the year, totalling 1045 days, based on the priority areas for review listed in the table below. In addition, we have a number of items we are holding as a “first reserve”. This shows a good spread of coverage across service areas enabling us to provide assurance on the wider control framework from which to build our annual assurance opinion.

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.



## Priority Audit Reviews

| Areas of Review   | Proposed Audit Work / Scope  | Estimated Audit Effort (Days) |
|---|--|-------------------------------|
| <b>Customer and Corporate</b>   |  |                               |
| Civica Financials: <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Main Accounting</li> <li>• Debtors</li> </ul>                  | System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.  | 60                            |
| Academy Revs & Bens: <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Council Tax</li> <li>• Business Rates NNDR</li> </ul> | System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.  | 60                            |
| Treasury Management   | System walkthrough to consider the design, any changes and effectiveness of key controls and risk-based sample testing to determine compliance.  | 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.  | 20                            |
| Fully CATERed   | Sample testing to check that the year-end position is not understated and to provide internal audit assurance to the Council's external auditor.   | 5                             |
| Debt Collection   | Review of the governance, processes and procedures in place for the collection of debt.  | 15                            |
| Cyber Security & IT Functions   | <p>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. Operational areas of specific focus to include Patch Management, Back-Up, and IT asset management together with follow-up on work undertaken in 2021/22.</p> <p>O365 - liaising with the Information Governance Manager to assess functionality in light of any observations made as part of Devon Information Security Partnership (DISP).</p> | 45                            |

| Areas of Review                              | Proposed Audit Work / Scope  | Estimated Audit Effort (Days) |
|--|--|-------------------------------|
| Covid-19 Grants                              | Post event assurance work.   | 5                             |
| Core Compliance                              | Following the Business Support Review, once the new structure is embedded, work will be undertaken to assess core compliance in financial areas such as VAT.                                 | 15                            |
| Client Financial Services                    | A cross-cutting review of the end-to-end processes for the billing and collection of social care client contributions, including the early stages of the process carried out by Livewell SW. | 25                            |
| Capital Programme                            | Review of the governance arrangements for the management and monitoring of the capital programme.  | 25                            |
| Electronic Signatures                        | Work to understand the adequacy of controls around the use of electronic signatures used in approval processes.  | 10                            |
| Establishment Control                        | Work to provide assurance that the establishment held on the CoreHR system is effectively maintained and accurate.   | 10                            |
| Staff Parking                                | Compliance with Council policy and any regulatory rules relating to staff parking arrangements.  | 15                            |
| Agency Staff                                 | Review of the effectiveness of the processes and procedures in place to manage and control the use of agency staff.  | 15                            |
| Health & Safety                              | Follow-up 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                            |
| Recommendation Tracking                      | Ongoing follow-up and reporting to the Audit & Governance Committee of management progress in actioning audit recommendations.   | 30                            |
| 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                             |
| Grant Certification                          | Those grants where the grant determination requires independent certification of expenditure by Internal Audit.  | 30                            |
| Audit Advice, client liaison, external audit |  | 45                            |

| Areas of Review                         | Proposed Audit Work / Scope  | Estimated Audit Effort (Days) |
|---|--|-------------------------------|
| <b>Executive Office</b>                 |  |                               |
| Electoral Services                      | Real time support and challenge to provide assurance on the ongoing effectiveness of operational controls and quality assurance procedures.  | 10                            |
| Audit Advice to Executive Office        |  | 10                            |
| <b>People</b>                           |  |                               |
| Adult Social Care Reforms               | An evolving programme of work which will include real-time support and challenge as the Council work to deliver Government proposals. Areas of work to include Care Cap, Fair Cost for Care Market Sustainability Plan and other assurance work.   | 60                            |
| Liberty Protection Safeguards (LPS)     | The Deprivation of Liberty Safeguards (DoLS) is to be replaced by Liberty Protection Safeguards (LPS) and time has been requested to provide real time audit support and challenge as the new arrangements are implemented.  | 15                            |
| Interface with the CCG                  | Clinical Commissioning Groups (CCGs) will transition to Integrated Care Boards (ICBs) with a target date of 1 July 2022. Our work will look at the pooled budget arrangement and delivery outcomes for Plymouth and Devon CCG.   | 15                            |
| Leisure Facilities                      | Review of processes and procedures in operation at the various leisure facilities.   | 25                            |
| 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. Work will also include review of the S75 Agreement. | 5                             |
| Social Care – New Business Solution     | Continued real time support and challenge to the project team responsible for the migration of CareFirst 6 to Eclipse. Phase I, CYP due to 'go live' end of May '22 and Phase II - ASC Apr22 – Mar23.  | 10                            |
| Audit Advice to People                  |  | 20                            |

| Areas of Review   | Proposed Audit Work / Scope   | Estimated Audit Effort (Days) |
|---|---|-------------------------------|
| <b>Children's Services</b>                              |   |                               |
| Joint Funding Arrangements                              | Review of governance processes where Children's Services have joint funding arrangements in place.  | 30                            |
| Special Educational Needs & Disability (SEND) Contracts | Review of governance processes for high cost spending.  | 25                            |
| Life Chances Fund (Pause Project)                       | Validation of quarterly project claims.   | 8                             |
| Families with a Future (Payment by Results)             | Audit review and certification for each monthly claim.  | 20                            |
| Audit Advice to Children's Services                     |   | 20                            |
| <b>Office of the Director of Public Health</b>          |   |                               |
| Office of the Director of Public Health                 | Covid-19 and exiting the EU has brought immense pressure to ODPH. 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                            |
| <b>Place</b>  |   |                               |
| City Change Fund  | Governance of the City Change Fund.   | 15                            |
| Safety at Sports Grounds                                | A review of the governance and processes in operation in respect of safety at sports grounds. Consideration will also be given to any potential impact of Martyn's Law which is likely to be enacted in 2022 and is Government legislation, prepared in response to the 2017 Manchester Arena attack. | 20                            |
| Plymouth & SW Devon Community Forest                    | Real time support as the community grants scheme is created.  | 5                             |
| 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.   | 15                            |



| Areas of Review   | Proposed Audit Work / Scope  | Estimated Audit Effort (Days) |
|---|--|-------------------------------|
| Commercial Properties                                     | Following on from work in 2021/22 to understand and map the use of the new TF Cloud asset management system and associated processes, we will undertake a programme of testing to check compliance.  | 20                            |
| The Box   | Understanding the business, including commerciality, turnover and profit.  | 25                            |
| Audit Advice to Place                                     |  | 10                            |
| <b>National Fraud Initiative (NFI) and Irregularities</b> |  |                               |
| NFI & Contingency   | Co-ordination of the NFI exercises across the Authority.<br>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. | 40                            |

| Reserve List of Audit Areas |  |
|-----------------------------|--|
| Homelessness                | Review of forecasting for bed and breakfast accommodation. |

|   |  |
|---|--|
| Disabled Facilities Grants                            | Management and forecasting arrangements for disabled facilities grants.  |
| S106/CIL  | Refresh of work undertaken previously.   |
| Highways  | Review of changes to works ordering processes.   |
| CareFirst - Children Independent Placements Follow-Up | Detailed follow-up to the 19/20 review which was Improvements Required, also to consider new processes and procedures in operation due to staff admin changes following the business support review. |
| On Course South West                                  | Mid-year review of systems in operation to ensure service is able to evidence funding outcomes.  |
| Special School  | On journey to being academized, audit review towards end of Autumn Term would be helpful with preparation.   |

## 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 continue to work 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 (The National Fraud Initiative - NFI). Whilst the main NFI exercise is run every two years, with 2022-23 being an 'off-year', the Council are continuing to review data matches that were generated by the 2020-21 NFI exercise, particularly in relation to Covid 19 Business Grants. Additionally, there are further Covid 19 Business Grant data matches expected by the end of March 2022 and consequently these will require processing during the next financial year. The Council will also need to supply Council Tax (CT) and Electoral Registration (ER) data to the Cabinet Office towards the end of 2022 as part of the annual CT / ER NFI exercise.

### Internal Audit Governance

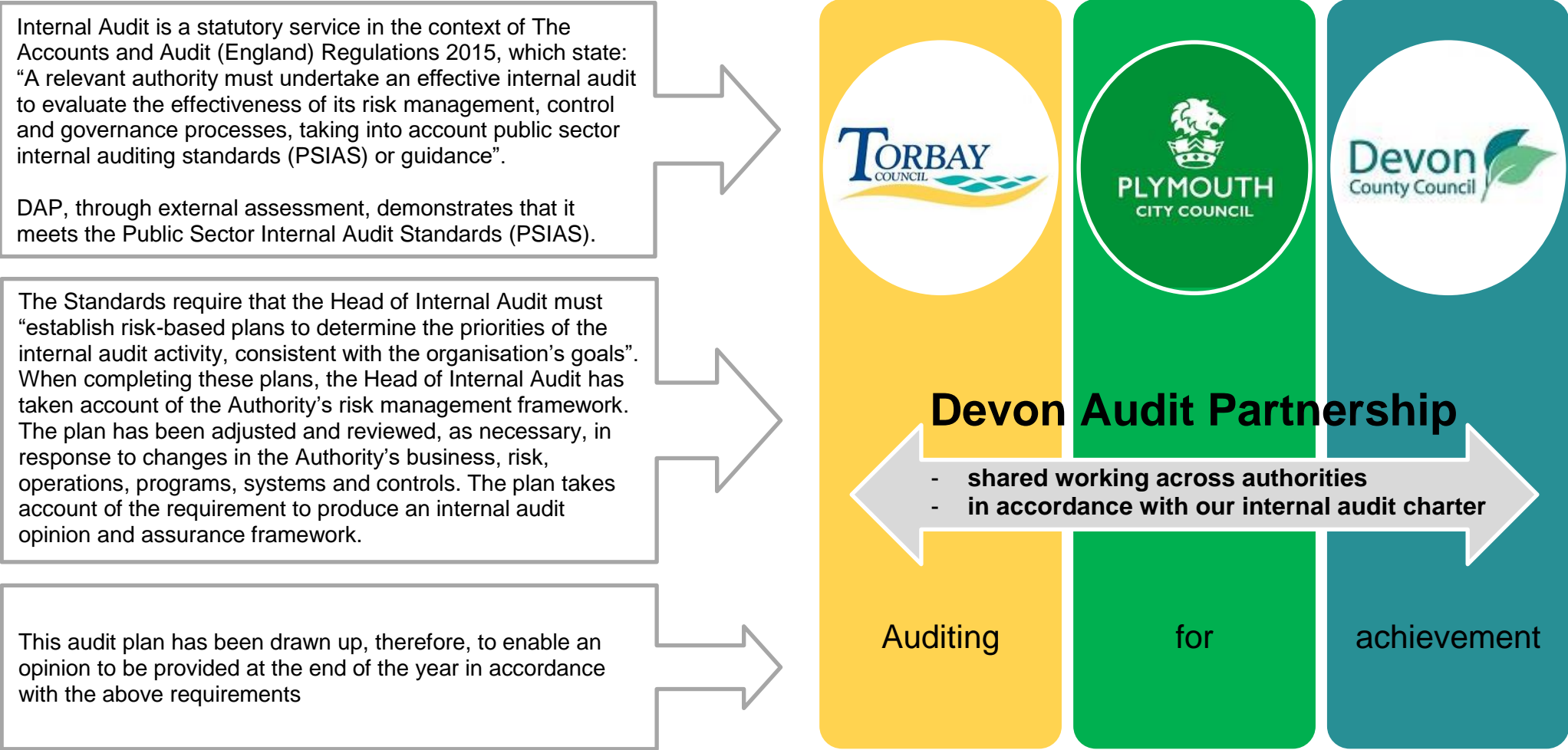
An element of our work is classified as client governance – this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit & Governance Committee;
- Assistance with the Annual Governance Statement.

### 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



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.

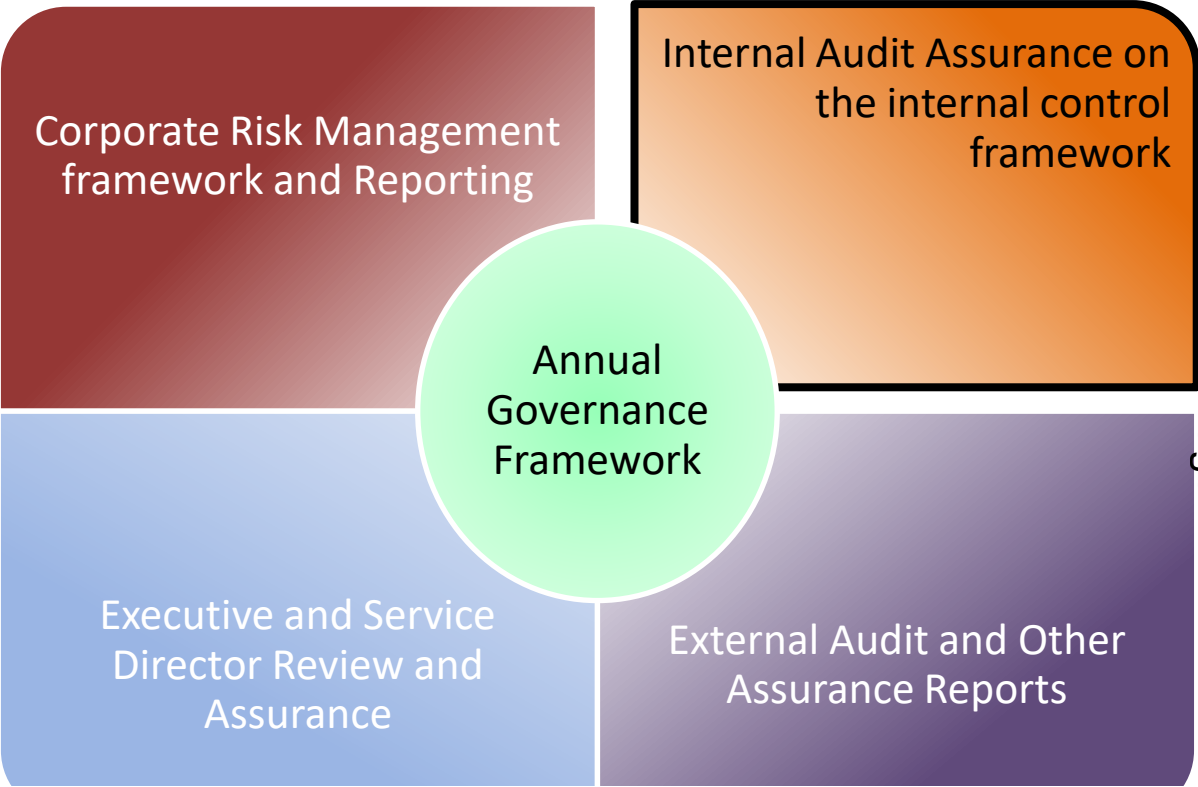
## Appendix 2 - Annual Governance Framework Assurance

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;
- 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)*.



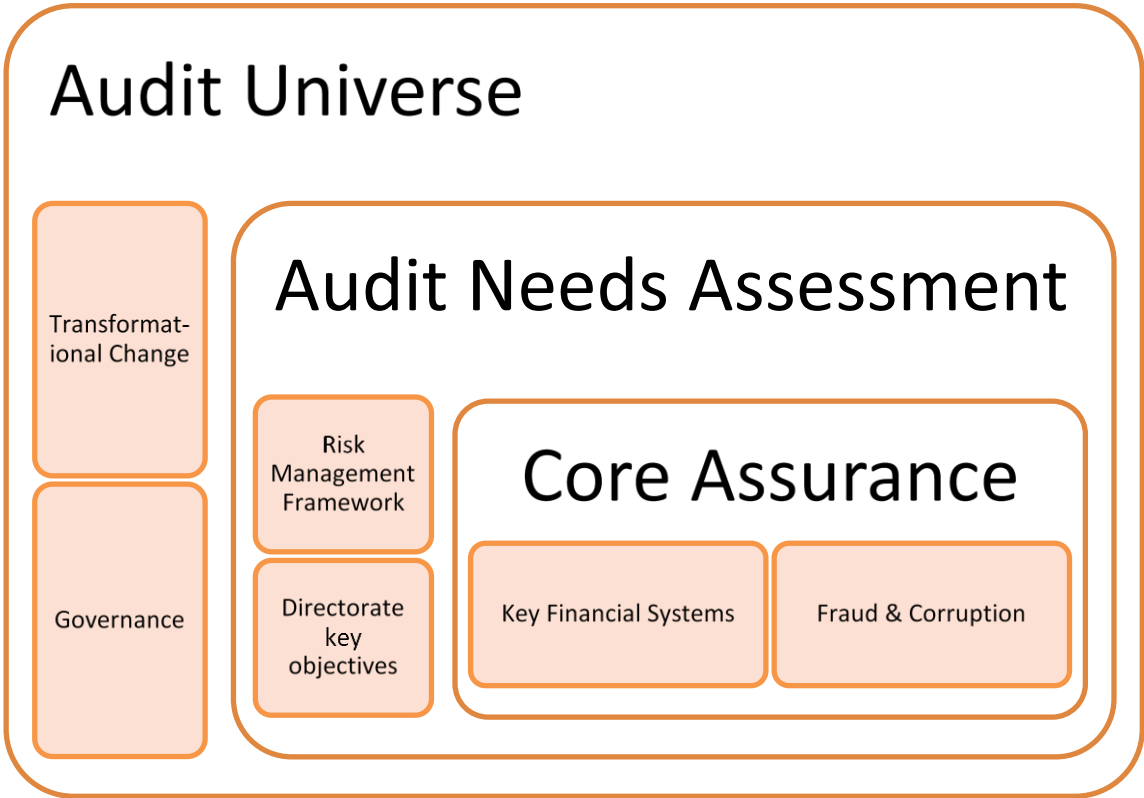
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

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.

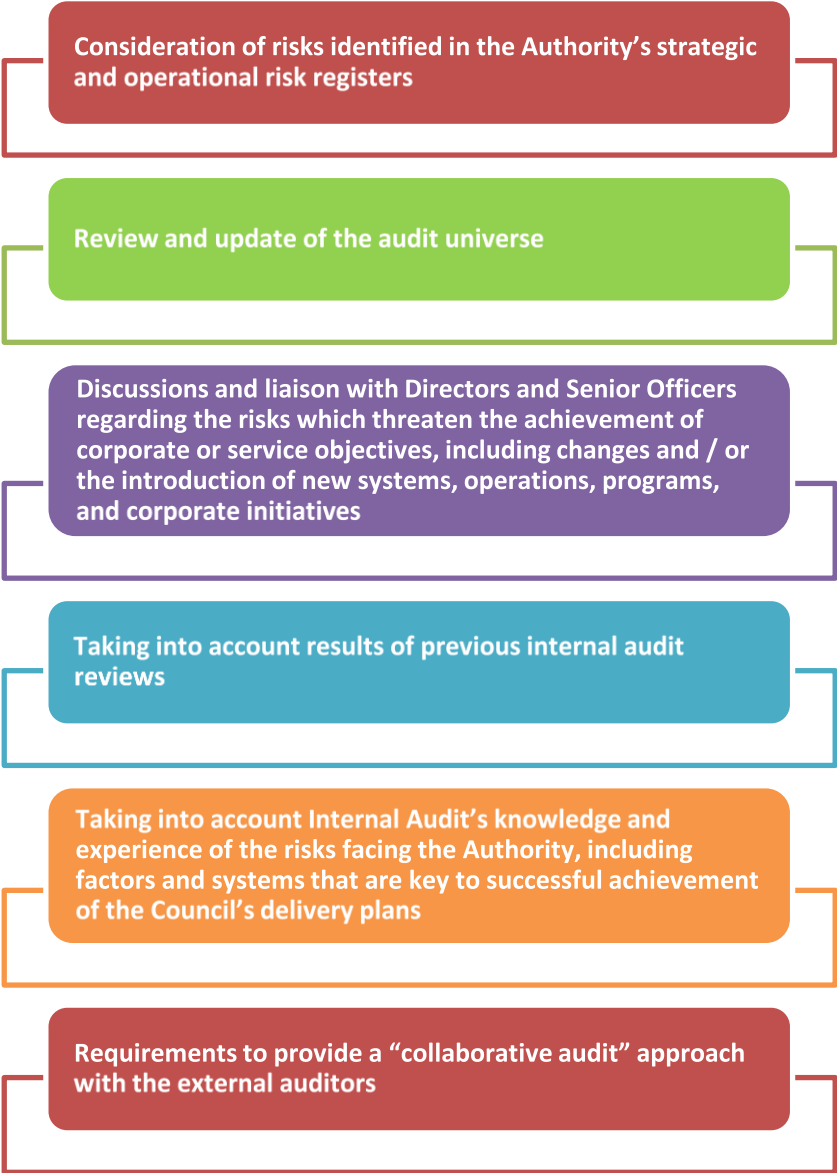
## Appendix 3 - Audit Needs Assessment

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.

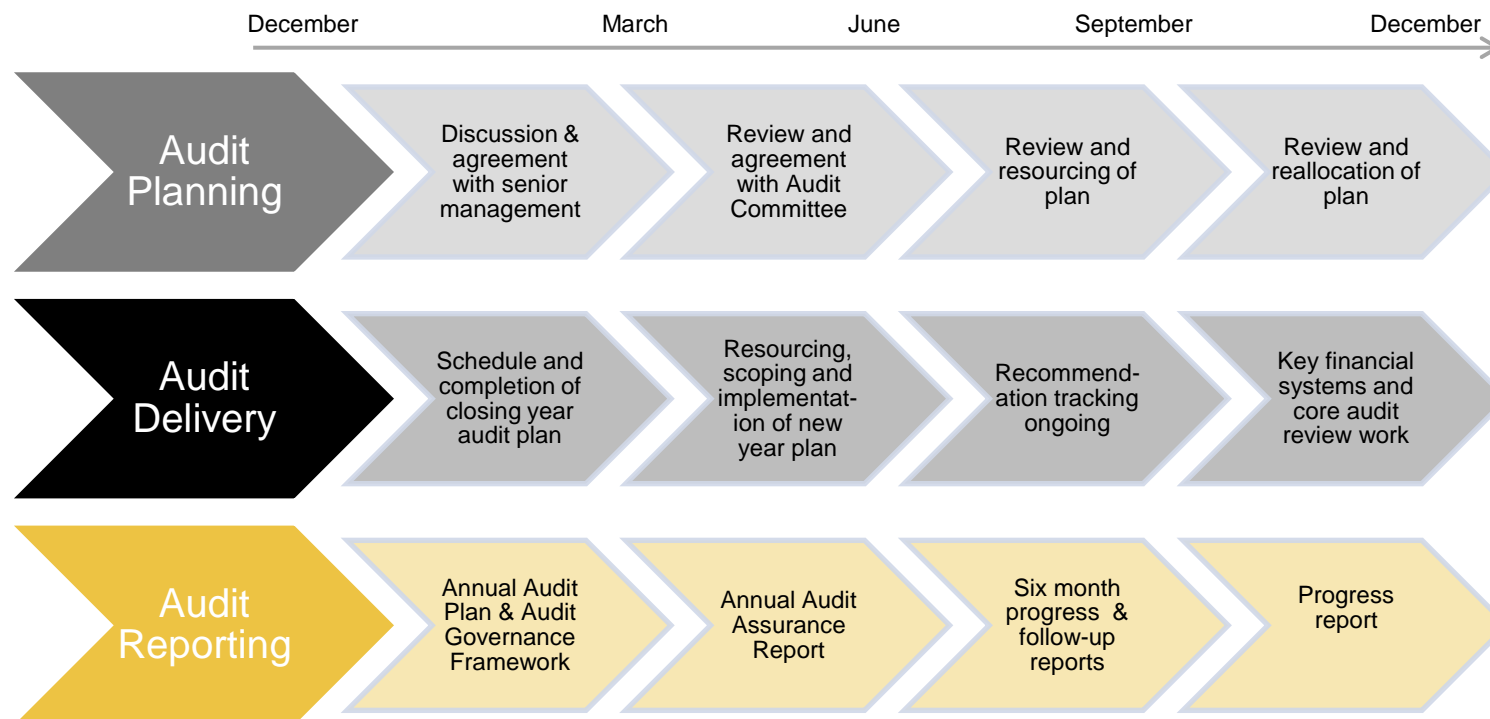
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan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



## Appendix 4 - Our Audit Team and the Audit Delivery Cycle



**Robert Hutchins**  
 Head of Audit Partnership  
 T 01392 383000  
 M 07814681196  
 E [robert.hutchins@devon.gov.uk](mailto:robert.hutchins@devon.gov.uk)

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 T 01752 306713  
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 or [brenda.davis@devon.gov.uk](mailto:brenda.davis@devon.gov.uk)

| Date         | Activity   |
|--------------|--|
| Jan/Feb 2022 | Directorate planning meetings  |
| March 2022   | Internal Audit Plan presented to Audit & Gov Committee                   |
|              | Internal Audit Governance Arrangements reviewed by Audit & Gov Committee |
|              | Year-end field work completed  |
| Apr 2022     | Annual Performance reports written                                       |
| Jul 2022     | Annual Internal Audit Report presented to Audit & Gov Committee          |
|              | Recommendation tracking is an ongoing process                            |
| Sept 2022    | Progress report presented to Audit & Gov Committee                       |
| Nov 2022     | Six-month progress reports presented to Audit & Gov Committee            |
|              | 2022/22 Internal Audit Plan preparation commences                        |

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## Audit and Governance Committee



|                          |  |
|--------------------------|--|
| Date of meeting:         | 28 March 2022  |
| Title of Report:         | <b>Treasury Management Practices, Principles and Schedules 2022/23</b> |
| Lead Member:             | Councillor Mark Lowry (Cabinet Member for Finance)                     |
| Lead Strategic Director: | Brendan Arnold (Service Director for Finance)                          |
| Author:                  | Carolyn Haynes (Financial Controller)                                  |
| Contact Email:           | Carolyn.haynes@plymouth.gov.uk   |
| Your Reference:          | Finance/CH   |
| 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 2022/23 as set out in this report.

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

### Alternative options considered and rejected

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

### Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue

budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

### **Implications for the Medium Term Financial Plan and Resource Implications:**

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

### **Carbon Footprint (Environmental) Implications:**

None.

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

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

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<br><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 |
| 1    | Organisation Chart for Treasury Management (FTE) |   |   |   |   |   |   |   |

**Background papers:**

*\*Add rows as required to box below*

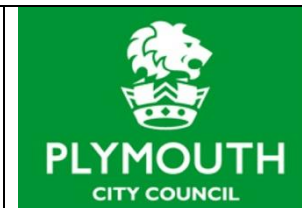
*Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.*

| 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 |
| Treasury Management Strategy 2022/23 |   |   |   |   |   |   |   |
|                                      |   |   |   |   |   |   |   |

**Sign off:**

|  |                  |     |                                 |            |  |    |  |            |  |               |  |
|--|------------------|-----|---------------------------------|------------|--|----|--|------------|--|---------------|--|
| Fin  | ba.21.2<br>2.308 | Leg | LS/38<br>302/A<br>C/18/<br>3/22 | Mon<br>Off |  | HR |  | Asset<br>s |  | Strat<br>Proc |  |
| Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance) |                  |     |                                 |            |  |    |  |            |  |               |  |
| Please confirm the Strategic Director(s) has agreed the report? Yes                      |                  |     |                                 |            |  |    |  |            |  |               |  |
| Date agreed: 17/03/2022  |                  |     |                                 |            |  |    |  |            |  |               |  |
| Cabinet Member approval: Councillor Nick Kelly (Leader)                                  |                  |     |                                 |            |  |    |  |            |  |               |  |
| Date approved: 17/03/2022  |                  |     |                                 |            |  |    |  |            |  |               |  |

## TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2022-23



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<br>Statement of duties and responsibilities<br>Absence cover   | TMP 5                   | 29             |
| Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending  | TMP 1                   | 7              |
| Cash Flow forecasts  | TMP 8                   | 44             |
| Bank statements, payment scheduling  | TMP 8                   | 46             |
| Electronic banking and dealing<br>Standard Settlement Instructions, Payment Authorisation  | TMP 1                   | 7              |
| Decision making and analysis   | TMP 3                   | 22             |
| Approved types and sources of borrowing<br>Approved investment instruments   | TMP 4                   | 25             |
| Counterparty Credit Risk Management<br>Current criteria<br>Counterparty List and Limits  | TMP 1                   | 7              |
| Dealing:<br>- Authorised dealers<br>- Dealing limits<br>- List of approved brokers<br>- Deal Ticket pro-forma<br>- Direct dealing list<br>- Settlement transmission procedures | TMP 5                   | 29             |
| Reporting arrangements/Performance measurement<br>Officers' responsibilities for reporting   | TMP 6<br>TMP 2<br>TMP 5 | 35<br>19<br>29 |
| Budget, Statement of Accounts, treasury-related information requirements for Auditors  | TMP 7                   | 40             |
| 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 2021. 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 borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.**

The Ministry of Housing, Communities and Local Government which is now the Department for Levelling Up, Housing and Communities (DLUHC) 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 are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

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

- (1) The Council will create and maintain, as the cornerstones for effective treasury and investment management:

- a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (2) The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Governance Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (4) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- (5) The Council produces a Capital Financing Strategy which is approved by full council, the Audit Committee may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

The Treasury Management Practices (TMPs) comprise:

TMP 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.

## TREASURY MANAGEMENT POLICY STATEMENT

- 1) The Council defines its treasury management activities as the management of the Council's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
- 2) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.
- 3) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

### I. TMP 1: 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.*

I.2.2 **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"> <li>- No new investments will be made;</li> <li>- Any existing investments that can be recalled or sold at no cost will be recalled or sold;</li> <li>- Full consideration will be given to the recall or sale of other existing investments with the affected counterparty.</li> </ul> <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>   |

**1.3 Liquidity Risk Management:** Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

**1.3.1 Principle:** *The Section 151 Officer will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.*

*The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to fund future debt maturities.*

**1.3.2 Schedule:**

|  |  |
|--|--|
| Cash flow and cash Balances  | The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single cash flow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.   |
| Amounts of approved minimum cash balances and short-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.<br><br>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.<br><br>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.<br><br>The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be 2 years, although linking loans with particular items of expenditure is not required. |

**1.4 Interest Rate Risk Management:** Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

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

*It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.*

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

**I.4.2 Schedule:**

|  |  |
|--|--|
| Proportions of fixed/variable rate debt/interest | <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>   |
| Managing changes to interest rate levels         | <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> |
| Negative interest rates                          | <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>   |

**1.5 Exchange Rate Risk Management:** The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

**1.5.1 Principle:** The Council will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

**1.5.2 Schedule:**

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| 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> |
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**1.6 Inflation risk**

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

**1.6.1 Principle**

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

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| 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. |

**1.7 Refinancing Risk Management:** The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

**1.7.1 Principle:** *The Council will ensure that its borrowing and other long-term liabilities such as private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.*

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

### **I.7.2 Schedule:**

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| Projected capital investment requirements | <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>   |
| Debt profiling, policies and practices    | <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> |
| Policy on LOBO call options               | <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>  |

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| 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. |
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**1.8 Legal and Regulatory Risk Management:** The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

**1.8.1 Principle:** *The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its counterparty credit risk management policy under TMPI (1) Counterparty credit risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

*The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.*

#### 1.8.2 Schedule:

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| 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"> <li>▪ CIPFA's Treasury Management Code of Practice and accompanying Guidance Notes</li> <li>▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments</li> <li>▪ CIPFA Standard of Professional Practice on Treasury Management</li> <li>▪ The Local Government Act 2003</li> <li>▪ The Local Authorities (Capital Finance and Accounting) (England ) Regulations 2003 SI 2003 No 3146, and subsequent amendments</li> <li>▪ The MHCLG's statutory Guidance on Minimum Revenue Provision (MRP)</li> <li>▪ The MHCLG's Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions)</li> <li>▪ The Localism Act 2011</li> <li>▪ Code of Practice on Local Authority Accounting</li> <li>▪ The Bank of England's 2017 Money Markets Code</li> <li>▪ Council's Constitution including: <ul style="list-style-type: none"> <li>• Standing Order relating to Contracts</li> <li>• Financial Regulations</li> <li>• Scheme of Delegation</li> </ul> </li> </ul> |
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| 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"> <li>• adoption of the CIPFA Treasury Management Code of Practice</li> <li>• adherence to Corporate Governance (<u>TMP 12 – Corporate Governance</u>)</li> <li>• adherence to the Statement of Professional Practice by the Section 151 Officer</li> <li>• the roles of the Audit and Governance Committee.</li> </ul>  |

### **1.9 Operational Risk, including Fraud, Error and Corruption and Contingency Management:**

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

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

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| <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 <b>TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.</b></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"> <li>• Within the Treasury Management Department <ul style="list-style-type: none"> <li>○ Head of Financial Planning and Reporting</li> <li>○ Finance Business Partner</li> <li>○ Principal Technical Accountant</li> <li>○ Senior Technical Accountant Officers</li> <li>○ Technical Accounting Officers</li> <li>○ Finance Assistant</li> <li>○ Apprentice</li> </ul> </li> </ul> <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"> <li>• Within the Treasury Management Department <ul style="list-style-type: none"> <li>○ Finance Business Partner</li> <li>○ Principal Technical Accountant</li> <li>○ Senior Technical Accountant Officers</li> <li>○ Technical Accounting Officers</li> <li>○ Finance Assistant</li> <li>○ Apprentice</li> </ul> </li> </ul> <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"> <li>• For Fund Selection <ul style="list-style-type: none"> <li>○ Head of Financial Planning &amp; Reporting</li> <li>○ Finance Business Partner</li> </ul> </li> <li>• For Trading, the following members of the Treasury Management team <ul style="list-style-type: none"> <li>○ Principal Technical Accountant</li> <li>○ Senior Technical Accounting Officers</li> <li>○ Technical Accounting Officers</li> </ul> </li> </ul> <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</u> (SSI) list : a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> <li>• Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list.</li> <li>• 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/DMA DF.</li> <li>• <u>Payment Authorisation</u>:</li> </ul> |
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|                         | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Other payments made using online banking system and BACS payments can be authorised by an approved list of signatories.</li> <li>• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.</li> <li>• Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements.</li> </ul>  |
| 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"> <li>1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each quarter and at the financial year end.</li> <li>2. Working papers are retained for audit inspection.</li> <li>3. The bank reconciliation is carried out monthly from the bank statement to Civica general ledger.</li> </ol>   |
| 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"> <li>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.</li> <li>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.</li> <li>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.</li> <li>4. A Disaster Recovery Policy is held by Plymouth City Council.</li> </ol> |
| 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>  |

**1.10 Price 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.

**1.10.1 Principle:** This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

**1.10.2 Schedule:**

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| <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&amp;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:

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| Policy concerning methods for testing value for money | <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"> <li>▪ Challenging</li> <li>▪ Comparing performance</li> <li>▪ Consulting with other users and interested parties</li> <li>▪ Applying competition principles</li> </ul> <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>   |
| Policy concerning methods for performance measurement | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Prudential Indicators are local to the Council and are not intended as a comparator between authorities.</li> <li>• 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.</li> </ul> <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"> <li>(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</li> <li>(ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.</li> </ul> <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> |

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| <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"> <li>a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR)</li> <li>b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing)</li> <li>c) Average rate on gross borrowing vs weighted average maturity</li> <li>d) The effect of new borrowing and/or maturities on the above</li> <li>e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period)</li> <li>f) Total investments including average rate and maturity profile</li> <li>g) The rate of return on investments against their indices for internally and externally managed funds</li> <li>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)</li> <li>i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy</li> <li>j) Daily bank balances: any major deviations from the target bank balances</li> </ul> |

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| <p>Benchmarks and calculation methodology with regard to risk and return</p> | <p><b>Treasury Management Costs –</b><br/> Costs are split into Debt Management, Investment Management and Other. Investment Management invested, and Debt Management Cost of debt.</p> <p><b>Investment returns</b> 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"> <li>Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund.</li> </ul> <p><b>Debt Management</b></p> <ul style="list-style-type: none"> <li>Average Rate on external debt borrowed in financial year</li> <li>Average period to maturity of external debt</li> <li>Average period to maturity of new loans in financial year</li> <li>Ratio of PWLB and market debt (beginning and end of period)</li> <li>Ratio of fixed and variable rate debt (beginning and end of period)</li> </ul> |
| <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"> <li>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.</li> <li>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.</li> <li>If necessary, the Council will also consult with other users of similar services as well as with interested parties.</li> <li>The Council will also evaluate alternative methods service delivery.</li> </ol>  |

### 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:

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| 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"> <li>a) Changes to Prudential Indicator(s) during the course of the financial year</li> <li>b) Options Appraisal to determine a funding decision</li> <li>c) raising a new long-term loan / long-term source of finance</li> <li>d) prematurely restructuring/redeeming an existing long-term loan(s)</li> <li>d) investing longer-term (i.e. in excess of 1 year)</li> <li>f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate)</li> <li>g) leasing</li> <li>h) change in banking arrangements</li> <li>i) appointing/replacing a treasury advisor</li> <li>j) appointing/replacing a fund manager</li> <li>k) any other determined by the Council</li> </ul> |

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| 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"> <li>• applying the strategy on a day to day basis</li> <li>• monitoring the results of the strategy</li> <li>• recommending amendments to the strategy to the Council where applicable during the course of the year.</li> </ul>  |
| 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"> <li>• 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;</li> <li>• be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained;</li> <li>• 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;</li> <li>• ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits;</li> <li>• 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.</li> <li>• follow best practice in implementing the treasury transaction.</li> </ul> |

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|                                 | <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"> <li>• evaluate economic and market factors that may influence the manner and timing of any decision to fund;</li> <li>• consider alternative forms of funding, including use of revenue resources, leasing and private partnerships;</li> <li>• consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use;</li> <li>• consider ongoing revenue liabilities created;</li> <li>• where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years.</li> </ul> <p>The Council's objective when investing money is to strike an <b>appropriate balance between risk and return</b>, 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"> <li>• Determine that the investment is within the Council's strategy and pre-determined instruments and criteria;</li> <li>• consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;</li> <li>• the credit risk associated with unsecured investments with banks and building societies</li> <li>• consider the alternative investment products and techniques available if appropriate.</li> </ul> |
| 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**.*

*Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.*

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

**4.2    Schedule:**

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| Approved treasury management activities | <p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"><li>▪ Managing cashflow</li><li>▪ Capital financing</li><li>▪ Borrowing including debt restructuring and debt repayment</li><li>▪ Lending to third party organisations</li><li>▪ Redemption of investments</li><li>▪ Banking</li><li>▪ Leasing</li><li>▪ Managing the underlying risk associated with the Council’s capital financing and surplus funds activities.</li></ul> <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> |
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| <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"> <li>• Public Works Loans Board (PWLB) or its successor</li> <li>• Any institution approved for investments</li> <li>• Any other bank or building society authorised to operate in the UK</li> <li>• UK public and private sector pension funds (except PCC Pension Fund)</li> <li>• Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues</li> <li>• UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues</li> <li>• long term money market loans including LOBOs</li> <li>• Temporary money market loans (up to 365 days).</li> <li>• bank overdraft</li> <li>• loans from bodies such as the European Investment Bank (EIB)</li> <li>• Stock issues</li> <li>• Deferred Purchase</li> <li>• Government and EU Capital Grants</li> <li>• Plymouth Bond</li> <li>• Lottery monies</li> <li>• Other Capital Grants and Contributions</li> <li>• Private Finance Initiative</li> <li>• Commercial companies</li> <li>• Pensions Funds</li> <li>• Operating and finance leases</li> <li>• Hire purchase</li> <li>• Sale and leaseback</li> <li>• Any other counterparty you intend to borrow from that has been agreed by the council's advisors.</li> </ul> <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> <li>• Capital Receipts</li> <li>• Revenue Balances</li> <li>• Use of Reserves</li> </ul> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p> |
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| <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"> <li>▪ Deposits with the UK government, the Debt Management Agency Office (DMO), and UK local authorities</li> <li>▪ Term deposits with banks and building societies</li> <li>▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit)</li> <li>▪ Certificates of deposit</li> <li>▪ Callable deposits</li> <li>▪ Investments in Money Market Funds , i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM)</li> <li>▪ Treasury Bills</li> <li>▪ Gilts</li> <li>▪ Bonds issued by multilateral development banks</li> <li>▪ Sterling denominated bonds by non-UK sovereign governments</li> <li>▪ Covered bonds (i.e. those with underlying collateral)</li> <li>▪ Unsecured corporate bonds</li> <li>▪ Reverse Repurchase Agreements ('reverse repos')</li> <li>▪ Investments with Registered Providers of Social Housing (i.e. housing associations)</li> <li>▪ Commercial paper</li> <li>▪ Floating Rate Notes</li> </ul> <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"> <li>• ensures that all investments, including non-treasury investments are covered in the Capital Strategy.</li> <li>• maintains a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees.</li> </ul>  |

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| 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:**

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| See Appendix I for Organisation Charts |
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**5.3** Schedule:

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| Limits to responsibilities at Executive levels            | <p>Full Council: receiving and reviewing:</p> <ul style="list-style-type: none"> <li>• Prudential Indicators (Capital Expenditure, Authorised Limit, Operational Boundary)</li> <li>• Treasury Management Strategy including the Annual Investment Strategy</li> <li>• Capital Financing Strategy</li> <li>• Receiving and reviewing reports on treasury management policies, practices and activities responsibility has been delegated to the Audit and Governance Committee</li> </ul> <p>The Cabinet:</p> <ul style="list-style-type: none"> <li>• approval of amendments to adopted clauses, treasury management policy statement, Treasury Management Strategy and Capital Financing Strategy</li> <li>• budget consideration and approval</li> <li>• receiving and reviewing external audit reports and acting on recommendations has been delegated to the Audit and Governance committee</li> </ul> |
| 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"> <li>• 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.</li> <li>• all borrowing/investments decisions must be authorised by the Section 151 officer or other nominated authorised officers (see below), depending on authorisation levels.</li> </ul>   |

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| <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"> <li>• Submit budgets and budget variations in accordance with Financial Regulations and guidance.</li> <li>• Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance</li> <li>• Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy.</li> <li>• 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.</li> <li>• Establish a measurement and reporting process that highlights significant variations from expectations.</li> <li>• Submit regular treasury management reports as required to the Audit and Governance Committee.</li> <li>• Receiving and reviewing management information reports.</li> <li>• Review the performance of the treasury management function and promote best value reviews.</li> <li>• Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.</li> <li>• Ensure the adequacy of internal audit, and liaising with external audit.</li> <li>• Recommend on appointment of external service providers in accordance with council standing orders.</li> <li>• Provide regular updates to relevant Cabinet Members.</li> <li>• Delegated authority to approve loans over 1 year and investments up to 10 years.</li> <li>• Delegated authority to approve loan repayments/rescheduling.</li> <li>• The Section 151 Officer may delegate his power to borrow and invest to the Head of Financial Planning &amp; Reporting, Finance Business Partners and relevant Senior Technical Accountants and Senior Technical Accounting Officers as appropriate.</li> </ul> |
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|  | <p><b>Head of Financial Planning &amp; Reporting</b></p> <ul style="list-style-type: none"> <li>• The responsibilities of this post will include covering the full responsibilities of the Section 151 Officer in their absence.</li> <li>• Delegated authority to approve loans over 1 year and investments up to 50 years.</li> <li>• Delegated authority to approve loan repayments/rescheduling.</li> <li>• Submit budgets and budget variations in accordance with Financial Regulations and guidance.</li> <li>• Establish a measurement and reporting process that highlights significant variations from expectations.</li> </ul> <p><b>Finance Business Partner</b></p> <ul style="list-style-type: none"> <li>• Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, mid-year and annual Treasury Management report and Treasury Management Practices.</li> <li>• Recommend early repayment of debt over one year and subject to the approval of the Section 151 Officer, or the Head of Financial Planning &amp; Reporting arrange the repayment of these loans.</li> <li>• Prepare budget for capital financing including all treasury management loan and investment activities including MTFS.</li> <li>• Submitting management information reports to the Treasury Management Board, Section 151 Officer and Head of Financial Planning &amp; Reporting.</li> </ul> <p><b>Finance Business Partner and Principal Technical Accountant</b></p> <ul style="list-style-type: none"> <li>• To provide cover in the absence of the Senior Technical Accounting Officer and to cover the full responsibilities of this post.</li> <li>• Maintaining relationships with third parties and external service providers and reviewing their performance.</li> <li>• Adherence to agreed policies and practices on a day-to-day basis.</li> <li>• Identifying and recommending opportunities for improved practices.</li> <li>• 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 &amp; Reporting.</li> <li>• Following approval by the Section 151 Officer undertake all borrowing over 1 year and deposits/investments up to 10 year maturity.</li> <li>• Make recommendations on all lending up to 10 years and borrowing over 1 year maturity.</li> <li>• 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.</li> </ul> <p><b>Senior Technical Accounting Officer</b></p> <ul style="list-style-type: none"> <li>• Negotiates and closes treasury management deals and records the transaction and payments obtaining authorisation as described above.</li> <li>• Carrying out the execution of transactions</li> <li>• Monitoring performance on a day-to-day basis.</li> <li>• Identifying and recommending opportunities for improved practices.</li> <li>• Using the counterparties list provided by the Council's Treasury Management advisers.</li> <li>• Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments.</li> </ul> <p>Cover is reviewed at least every 12 months, or as necessary.<br/>Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p> |
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| Absence cover arrangements   | Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels):<br>Head of Financial Planning & Reporting<br>Finance Business Partners<br>Principal Technical Accountant<br>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

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| Authorised officers         | <p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity:</p> <ul style="list-style-type: none"> <li>• Section 151 Officer</li> <li>• Head of Financial Planning &amp; Reporting</li> <li>• Finance Business Partner</li> </ul> <p>Lending activity:</p> <ul style="list-style-type: none"> <li>• Section 151 Officer</li> <li>• Head of Financial Planning &amp; Reporting</li> <li>• Finance Business Partner</li> </ul> <p>Authorising payments for borrowing/lending</p> <ul style="list-style-type: none"> <li>• Overnight; <ul style="list-style-type: none"> <li>○ Senior Technical Accounting Officer</li> </ul> </li> <li>• Under 1 year <ul style="list-style-type: none"> <li>○ Finance Business Partner</li> </ul> </li> <li>• Over 1 year <ul style="list-style-type: none"> <li>○ Section 151 Officer</li> <li>○ Head of Financial Planning &amp; Reporting</li> </ul> </li> </ul> <p>Transaction recording:</p> <ul style="list-style-type: none"> <li>• Principal Technical Accountant</li> <li>• Senior Technical Accounting Officer</li> </ul> |
| Dealing limits              | <p>Internally Managed Investments:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>   |
| Dealing platforms / portals | iDealTrade and Money Market Fund portals used by the Council  |

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| 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           | <p>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.</p> <p>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.</p>  |
| Inter-authority dealing            | <p>The Council also deals with other local government authorities to invest and borrow funds for treasury management purposes.</p> <p>In addition to transactions conducted through brokers, deals are conducted direct with other authorities and also via the iDealTrade execution-only dealing platform.</p> <p>A record of all deals, together with their specific terms, will be maintained by the Council.</p>  |
| 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"> <li>• settlements are made by CHAPS.</li> <li>• all CHAPS payments relating to settlement transactions requires 1 signature by Principal Technical Accountant or Senior Technical Accounting Officer.</li> <li>• all CHAPS payments relating to settlement transactions require authorisation by a Finance Business Partner or Head of Planning and Reporting</li> <li>• the details are transmitted online to the Council's bankers.</li> </ul> |

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| 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"> <li>• deal ticket authorising the investment</li> <li>• confirmation from the broker</li> <li>• confirmation from the counterparty</li> <li>• Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator</li> <li>• Chaps payment transmission document</li> </ul> <p>Loans:</p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree loan</li> <li>• confirmation from the broker</li> <li>• confirmation from PWVLB/market counterparty</li> <li>• Chaps payment transmission document for repayment of loan.</li> </ul> |
| Arrangements concerning the management of counterparty funds | <ul style="list-style-type: none"> <li>• The Treasury Management Finance Business Partner has responsibility for updating the Council's records with any credit developments.</li> <li>• The Treasury Management Finance Business Partner is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.</li> </ul>  |

## 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:

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| 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"> <li>• Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Other long-term liabilities, such as financial guarantees.</li> <li>• Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite.</li> </ul> <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> |
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| Frequency of executive reporting requirements     | <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>   |
| Content of Reporting:<br>I. Prudential Indicators | <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"> <li>▪ Financing costs as a proportion of net revenue stream (estimate; actual)</li> <li>▪ Capital expenditure (estimate; actual)</li> <li>▪ Capital Financing Requirement (estimates; actual)</li> <li>▪ Authorised limit for external debt</li> <li>▪ Operational boundary for external debt</li> <li>▪ Forecast external debt</li> </ul> <p>Treasury indicators</p> <ul style="list-style-type: none"> <li>▪ Upper and lower limits to maturity structure of fixed rate borrowing</li> <li>▪ Upper limit to total of principal sums invested longer than 364 days.</li> </ul> <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> |

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| <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"> <li>• Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years</li> <li>• Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt</li> <li>• the extent to which surplus funds are earmarked for short term requirements</li> <li>• the investment strategy for the forthcoming year(s) (<i>see below*</i>)</li> <li>• the minimum to be held in short term/specified investment during the coming year</li> <li>• the interest rate outlook against which the treasury activities are likely to be undertaken.</li> </ul> <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"> <li>▪ the objectives, policies and strategy for managing its investments;</li> <li>▪ 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;</li> <li>▪ the limits for the use of Non-Specified Investments.</li> </ul> <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"> <li>▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year;</li> <li>▪ the prevailing economic environment</li> <li>▪ a commentary on treasury operations for the year, including their revenue effects;</li> <li>▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council</li> <li>▪ compliance with agreed policies/practices and statutory/regulatory requirements</li> <li>▪ compliance with Prudential Indicators;</li> <li>▪ performance measures.</li> <li>▪ training /continuous professional development undertaken by treasury officers.</li> </ul> <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>   |

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| 4. Mid-Year Treasury Report                             | <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"> <li>• the prevailing economic and credit environment</li> <li>• economic forecast (including interest rates forecast)</li> <li>• a commentary on treasury operations (borrowing and investments) for the period, including their revenue effects</li> <li>• commentary on the risk implications of treasury activities undertaken and the overall impact on the treasury portfolio</li> <li>• any future implications for the treasury portfolio</li> <li>• compliance with agreed policies/practices and statutory/regulatory requirements</li> <li>• performance measurement</li> <li>• training /continuous professional development undertaken by treasury officers</li> </ul> <p>The Audit and Governance Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p> |
| Content and frequency of management information reports | <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"> <li>• borrowing and investment activity undertaken</li> <li>• performance of internal and external investments</li> <li>• cash flow monitoring</li> <li>• average interest rates for borrowing and investments</li> <li>• any other, e.g. details of daily bank balances against target balances</li> </ul> <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><b>Balanced Budget Requirement:</b> 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  |



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| Financial Statements                        | <p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> <li>▪ A Narrative Report</li> <li>▪ Accounting policies, changes in accounting estimates and errors</li> <li>▪ Presentation of financial statements</li> <li>▪ Movement in reserves statement</li> <li>▪ Comprehensive income and expenditure statement</li> <li>▪ Balance sheet</li> <li>▪ Cash flow statement</li> <li>▪ Collection Fund note</li> <li>▪ Statement of Responsibilities</li> <li>▪ Notes to the financial statements</li> <li>▪ Remuneration Report</li> <li>▪ Statements reporting reviews of internal controls or internal financial controls</li> <li>▪ Events after the reporting period</li> <li>▪ Related party disclosures</li> <li>▪ Independent Auditor's Report</li> <li>▪ Annual Governance Statement</li> </ul> |
| Format of the Council's accounts            | <p>The current form of the Council's accounts is available online at <a href="http://www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts">www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts</a></p>   |
| Disclosures relating to treasury management | <p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>   |

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| <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"> <li>▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.</li> <li>▪ Prudential Indicators.</li> <li>▪ Treasury Management Strategy including Annual Investment Strategy.</li> </ul> <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> <li>• New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)</li> <li>• Loan maturities.</li> <li>• 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.</li> <li>• Analysis of loans outstanding at year end including maturity analysis.</li> <li>• Analysis of borrowing between long- and short-term</li> <li>• Debt management and financing costs <ul style="list-style-type: none"> <li>▪ calculation of (i) interest paid (ii) accrued interest</li> <li>▪ interest paid</li> </ul> </li> <li>• MRP calculation and analysis of movement in the CFR.</li> <li>• Bank overdraft position.</li> <li>• Brokerage/commissions/transaction related costs.</li> </ul> |
|   | <p><u>Investments:</u></p> <ul style="list-style-type: none"> <li>• Investment transactions during the year including any transaction-related costs</li> <li>• cash and bank balances at year end</li> <li>• short-term investments at year end</li> <li>• long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end</li> <li>• calculation of (i) interest received (ii) accrued interest</li> <li>• actual interest received</li> <li>• external fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any)</li> <li>• basis of valuation of investments</li> <li>• evidence of existence and title to investments (e.g. Custodian's Reports.</li> <li>• schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.</li> </ul>   |

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|  | <p><u>Cash Flow</u></p> <ul style="list-style-type: none"> <li>▪ Reconciliation of the movement in cash to the movement in net debt</li> <li>▪ Cash inflows and outflows (in respect of long-term financing)</li> <li>▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments)</li> <li>▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources</li> </ul> <p><u>Other</u></p> <ul style="list-style-type: none"> <li>▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes</li> <li>▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements.</li> <li>▪ External advisors'/consultants' charges</li> </ul> |
| Internal Audit   | <p>Internal Audit conducts a review of the treasury management function and probity testing on an annual basis.</p> <p>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:

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| Arrangements for preparing /submitting cash flow statements | <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 <b>outline medium-term cash flow</b> 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 <b>detailed annual cash flow</b> 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><b>Daily cash flows</b> 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> |
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| Content and frequency of cash flow projections | <p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> <li>• revenue income and expenditure based on the budget.</li> <li>• profiled capital income and expenditure as per the capital programme.</li> </ul> <p><b>Revenue activities:</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Revenue Support Grant</li> <li>▪ Precepts received</li> <li>▪ Non domestic rates receipts</li> <li>▪ NDR receipts from national pool</li> <li>▪ Council tax receipts</li> <li>▪ DSS / other government grants</li> <li>▪ Cash for goods and services</li> <li>▪ Other operating cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Salaries and payments on behalf of employees</li> <li>▪ Operating cash payments</li> <li>▪ Housing Benefit paid</li> <li>▪ Precepts paid</li> <li>▪ NDR payments to national pool</li> <li>▪ Payments to the capital receipts pool</li> </ul> <p><b>Capital activities including financing</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ Capital grants received</li> <li>▪ Sale of fixed assets</li> <li>▪ Other capital cash receipts</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Purchase of fixed assets</li> <li>▪ Purchase of long-term investments</li> <li>▪ Other capital cash payments</li> </ul> <p><b>Financing, Servicing of Finance/Returns on Investments</b></p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> <li>▪ New long-term loans raised</li> <li>▪ New short-term loans raised</li> <li>▪ Interest received</li> <li>▪ Discount on premature repayment of loan</li> </ul> <p><u>Outflows:</u></p> <ul style="list-style-type: none"> <li>▪ Loan repayments</li> <li>▪ Premium on premature repayment of loan</li> <li>▪ Short-term investments</li> <li>▪ Capital element of finance lease rental payments</li> <li>▪ Interest paid</li> <li>▪ Interest element of finance lease rental payments</li> </ul> |
|--|---|

| 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"> <li>• net RSG and NDR payments as notified;</li> <li>• actual salaries and other employee costs paid from account bank statements;</li> <li>• actual payments to Inland Revenue from general account bank statements;</li> <li>• actual council tax received;</li> <li>• actual housing benefit;</li> <li>• actual capital programme expenditure and receipts.</li> </ul> |                     |        |                            |                         |                   |          |         |                       |                       |                    |                    |                          |                           |                    |
|---|---|---------------------|--------|----------------------------|-------------------------|-------------------|----------|---------|-----------------------|-----------------------|--------------------|--------------------|--------------------------|---------------------------|--------------------|
| Bank statements procedures                          | 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.   |                     |        |                            |                         |                   |          |         |                       |                       |                    |                    |                          |                           |                    |
| 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"> <li>• Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice.</li> <li>• All other creditors to be paid within 30 days of receipt of invoice.</li> </ul>   |                     |        |                            |                         |                   |          |         |                       |                       |                    |                    |                          |                           |                    |
| 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"> <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:

|                              |   |
|------------------------------|---|
| Anti money laundering policy | <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> |
| Treasury documentation       | <p>The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> <li>— Awareness of what constitutes money laundering;</li> <li>— The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed;</li> <li>— Maintaining up-to-date direct dealing and SSI mandates with counterparties</li> </ul>   |

|   |   |
|---|---|
| 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, including the specification of the expertise, knowledge and skills required by each role or member of staff.*

*The Section 151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.*

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

*The present arrangements are detailed in the schedule below.*

### 10.2 Schedule:

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|--|---|
| Qualifications/<br>experience for treasury<br>staff      | <p>Part or fully qualified or training towards qualification of one of the accepted accountancy bodies, i.e. CIPFA, ACA, ACCA, CIMA.</p> <p>Member of the Association of Accounting Technicians (AAT) part or fully qualified.</p> <p>Attend treasury training as provided by our Treasury Advisors, CIPFA and the auditors.</p>  |
| Details of approved<br>training courses                  | <p>The courses/events the Council would expect its treasury personnel to consider are:</p> <ul style="list-style-type: none"> <li>▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance &amp; Borrowing, or Financial Management.</li> <li>▪ Any courses/seminars run by Treasury Management advisors.</li> <li>▪ Attending CIPFA seminars and workshops.</li> <li>▪ Attend external auditors training</li> <li>▪ Training attended by those responsible for scrutiny of the treasury function</li> </ul> <p>The Council participates in CIPFA training and workshops for CPD development purposes.</p> |
| Records of training<br>received by treasury<br>staff     | Treasury-related training records are maintained by the Finance Business Partner for Treasury Management.   |
| Training received by<br>those charged with<br>governance | Training on Treasury Management should be provided for those people/committees responsible for governance of treasury management.   |

## II TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

**11.1 Principle:** *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the schedule below.*

### 11.2 Schedule:

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| 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<br/>Barclays Bank<br/>3 Bedford Street<br/>Exeter<br/>EX1 1LX<br/>Tel: 0345 3010 927<br/>Contract period: 1 April 2014 ends 31 March 2022.</p> <p>(b) Treasury advisor<br/>Arlingclose Limited<br/>35 Chiswell Street, London, EC1Y 4SE<br/>Tel: 08448 808 200<br/>Contract period: New contract commences 1 April 2021 to 31 March 2024.</p> <p>(c) External Fund Manager<br/>King &amp; Shaxson<br/>6<sup>th</sup> Floor, Candlewick House, 120 Cannon Street<br/>London, EC4N 6AS</p> |

|  |  |
|--|--|
| <p>Details of service providers and procedures and frequency for tendering services (cont'd)</p> | <p>(d) Brokers:</p> <p>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<br/>Level 3, 155 Bishopsgate, London, EC2M 3TQ<br/>Tel: 020 7200 7000</p> <p>Tradition (UK),<br/>Beaufort House, 15 St. Botolph Street, London, EC3A 7QX.<br/>Tel: 020 7198 1500</p> <p>London Currency Brokers,<br/>LCB House, 8A The Broadway, Pitsea, Essex, SS13 3AY.</p> <p>Martin Brokers (UK) Plc,<br/>1 Churchill Place, Canary Wharf, London, E14 5RD.<br/>Tel: 020 7469 9000</p> <p>Sterling International Brokers Limited<br/>1 Churchill Place, 18<sup>th</sup> Floor, London, EC4 5RD.<br/>Tel: 020 7962 9960</p> <p>Imperial Treasury Services<br/>Office 7, 25 St Andrew Street, Hertford<br/>Hertfordshire SG14 1HZ</p> <p>Arlingclose Limited<br/>35 Chiswell Street, London, EC1Y 4SE<br/>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.</p> <p>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 principles of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.*

### 12.2 Schedule:

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| 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. | <p>The following documents are freely available for public inspection:</p> <ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts</li> <li>▪ Council's Annual Budget</li> <li>▪ 5 Year Capital Budget</li> <li>▪ Treasury Management Strategy</li> <li>▪ Annual Investment Strategy (which will include treasury and non-treasury investments)</li> <li>▪ Minimum Revenue Provision policy</li> <li>▪ Capital Finance Strategy</li> <li>▪ Budget Monitoring Reports</li> <li>▪ Annual and Mid-Year Treasury Report</li> </ul> |
| 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.

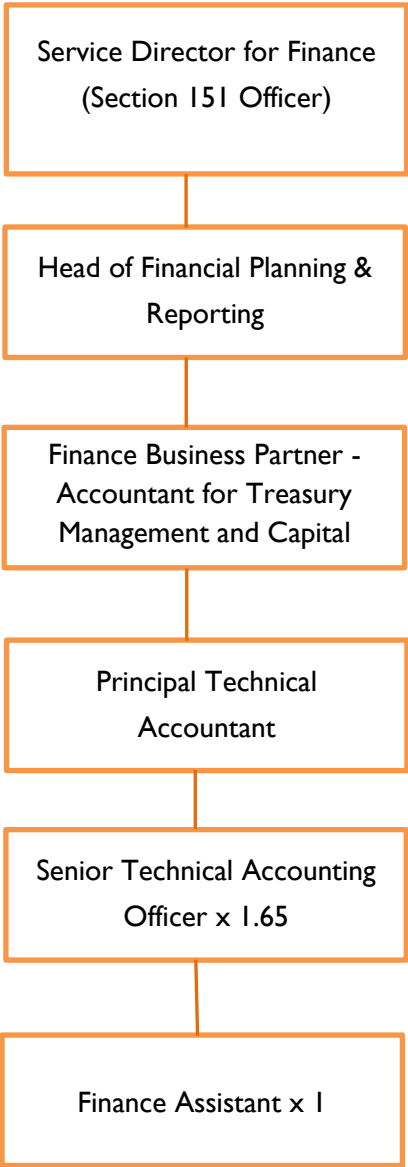
### **13.1 Schedule**

|   |   |
|---|---|
| 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"> <li>• Risk management</li> <li>• Decision making, governance and organisation</li> <li>• Reporting and management information</li> <li>• Performance measurement and management</li> <li>• Training and qualifications.</li> </ul>   |

|  |   |
|--|---|
| 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)



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# Audit and Governance Committee



|                          |  |
|--------------------------|--|
| Date of meeting:         | 28 March 2022  |
| Title of Report:         | <b>Risk Management Monitoring Report – February 2022</b> |
| Lead Member:             | Councillor Nick Kelly (Leader)                           |
| Lead Strategic Director: | Giles Perritt (Assistant Chief Executive)                |
| Author:                  | Robert Sowden  |
| Contact Email:           | Robert.Sowden@plymouth.gov.uk                            |
| Your Reference:          | RS/RMFEB22   |
| Key Decision:            | No   |
| Confidentiality:         | Part I - Official  |

## Purpose of Report

The attached report (Appendix A) provides an update on both the Strategic and Operational Risk registers for the organisation. Appendix B is the updated strategic risk register. The register offers additional information including detail on Key Controls and Sources of Assurance and how progress against mitigation will be measured.

### Strategic Risk Register

There have been three new risks added to the strategic risk register bringing the total risks managed to 120. The three new risks relate to cyber-attacks (number 3 in table one), staff resilience to causative factors of stress (number 17 in table one) and the additional upfront contributions to offset the Council's pension fund deficit, made in 2019/20 (number 18 in table one). Three risks have a rating of Red; these relate to responding to the growing volume and complexity of demand on the Children, Young People and Families Service and Adult Social Care Service and the new risk regarding cyber-attacks. All other risks have seen no change in the risk rating score.

### Operational Risk Register

There are now 126 risks on the operational risk register. The number of red risks has increased from three in October 2021 to four in February 2022 following the escalation of a risk relating to the loss of confidential/sensitive data. The red risks relate to the following:

- Risk of loss of life, injury or property damage due to tree falling within the city and at Mount Edgumbe
- The management arrangements of Asbestos
- The risk of injury or incident linked to traffic management and segregation at Council depots.
- Risk of loss of confidential/sensitive data

## Recommendations and Reasons

The Audit and Governance Committee is recommended to:

Note the current position with regard to the Strategic Risk and Opportunity Register.

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

### Alternative options considered and rejected

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

### Relevance to the Corporate Plan and/or the Plymouth Plan

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

### Implications for the Medium Term Financial Plan and Resource Implications:

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

### Financial Risks

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

### Carbon Footprint (Environmental) Implications:

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

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

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

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

### Appendices

*\*Add rows as required to box below*

| Ref. | Title of Appendix                 | Exemption Paragraph Number (if applicable)<br><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    | Risk Management Monitoring Report |  |   |   |   |   |   |   |
| B    | Strategic Risk Register           |  |   |   |   |   |   |   |

### 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) |
|----------------------------------|--|
|----------------------------------|--|

**Sign off:**

|  |                       |     |                                     |            |  |    |  |        |  |               |  |
|--|-----------------------|-----|-------------------------------------|------------|--|----|--|--------|--|---------------|--|
| Fin  | djn.2<br>1.22.<br>288 | Leg | LS/3<br>8237<br>/AC/<br>10/3/<br>22 | Mon<br>Off |  | HR |  | Assets |  | Strat<br>Proc |  |
| Originating Senior Leadership Team member: Giles Perritt (Assistant Chief Executive) |                       |     |                                     |            |  |    |  |        |  |               |  |
| Please confirm the Strategic Director(s) has agreed the report? Yes                  |                       |     |                                     |            |  |    |  |        |  |               |  |
| Date agreed: 22/02/2022  |                       |     |                                     |            |  |    |  |        |  |               |  |
| Cabinet Member approval: Councillor Nick Kelly (Leader)                              |                       |     |                                     |            |  |    |  |        |  |               |  |
| Date approved: 17/03/2022  |                       |     |                                     |            |  |    |  |        |  |               |  |

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# APPENDIX A - RISK MANAGEMENT MONITORING REPORT

March 2022



## 1.0 Introduction

- 1.1 The position with regard to the strategic and operational risk registers are presented within this report.
- 1.2 Risk Champions have reviewed the strategic and operational risks to identify those that could impact the work directed towards the delivery of council services, including ensuring safe systems of work for staff and customers. Risk owners have been asked to update current mitigation and action plans.
- 1.3 The next formal review of the strategic risk and opportunity register will take place in May 2022, and of the operational risk register in July 2022. Risk registers are however a live document and will be regularly discussed at Directorate Management Teams.

## 2.0 Strategic Risk and Opportunity Register – Monitoring Summary

- 2.1 Attached to this report at Appendix A is the updated strategic risk register. The Appendix offers additional information including detail on Key Controls and Sources of Assurance and how progress against mitigation will be measured.

## 3.0 Strategic Risk Register

- 3.1 There have been three new risks added to the strategic risk register bringing the total risks managed to 120. The three new risks relate to cyber-attacks (number 3 in table one), staff resilience to causative factors of stress (number 17 in table one) and the additional upfront contributions to offset the Council's pension fund deficit, made in 2019/20 (number 18 in table one). Three risks have a rating of Red; these relate to responding to the growing volume and complexity of demand on the Children, Young People and Families Service and Adult Social Care Service and the new risk regarding cyber-attacks. All other risks have seen no change in the risk rating score. The 'red risks' are shown below:

**Risk number one** relates to the 'hidden harm' consequences of COVID-19 infection control measures and safe systems of work that are adding to existing pressures on the Children, Young People and Families service. The service is continuing to see a rise in children coming into care.

**Risk number two** relates to workforce concerns and the growing fragility of the Adult Social Care Market that might lead to the inability of the Local Authority to meet statutory duties and meet eligible need.


**Risk number three** relates to the potential for a cyber-attack to render all of the Council's IT inaccessible for an extended period of time therefore impacting on the Council's ability to deliver services.


## 3.2 Strategic Risk update table

Table one provides an update on mitigation in place for all of the 20 risks on the strategic risk register.


Table one – Strategic Risk Register Updates

| No. | Description  | Mitigation   | Risk Score | Current risk rating                         | Risk Owner    |
|-----|--|--|------------|---|---------------|
| 1   | <p>Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services.</p> <p>Hidden harm consequences of infection control measures and safe systems of work limitations add to existing pressures on service.</p> <p>Risk of continued rising demand for children to come into care since the pandemic in March 2020.</p> | <ul style="list-style-type: none"> <li>- Additional social work capacity agreed to support effective delivery of casework</li> <li>- Fostering Project Delivery Plan in place</li> <li>- High cost placement review supported by named Service Manager</li> <li>- Adolescent Support Team reunification and edge of care service supporting over 60 young people at any one time</li> <li>- Ongoing rigour in decision making to manage demand via Placement Panel, which takes place weekly and is overseen by a dedicated service manager with responsibility for reducing costs of individual placements and ensuring timely step down</li> <li>- Ensuring action plan milestones are reached via monthly monitoring at Programme Board/Finance Directorate Management Team meetings</li> <li>- All delivery plans have been reviewed and progress is being achieved to mitigate delays caused by COVID-19 response.</li> </ul> | 20         | <p><b>Red</b></p> <p>Red since Jul 2020</p> | Alison Botham |
| 2   | <p>Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.</p>  | <ul style="list-style-type: none"> <li>- Establishment of Community Capacity Command Centre to provide greater oversight of market and capacity</li> <li>- Local Authority has set up a Care Company to ensure continuity of provision in the event of market failure</li> <li>- Care Home liaison work being undertaken by Livewell Southwest, to increase levels of support to Residential and Nursing care market</li> <li>- Risk to be continued to be monitored through contract monitoring and market intelligence</li> <li>- Supporting market wide workforce recruitment / retention across residential and domiciliary sector</li> <li>- Remodelled bed bureau launched to support Care Homes to manage complex discharge cases</li> <li>- Incentive payments to workforce</li> <li>- Managing risk through winter strategy for the domiciliary care market.</li> </ul>   | 20         | <p><b>Red</b></p> <p>Red since Oct 2021</p> | Craig McArdle |




| No. | Description   | Mitigation   | Risk Score | Current risk rating   | Risk Owner    |
|-----|---|--|------------|---|---------------|
| 3   | A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Council's ability to deliver services.  | Conduct Business continuity exercise to test resilience against a number of scenarios to enable learning for development of improved business continuity plan. Working alongside DELT to implement regular testing and reporting of cyber-attacks and vulnerabilities.   | 20         | <b>RED</b><br>(New in January 2022)   | Andy Ralphs   |
| 4   | <p>Insufficient economic performance to sustain the City's economy and growth plans.</p> <p>The risk to economic performance is a combination of the ongoing impacts of the coronavirus, Brexit, labour shortages, infrastructure challenges relating to material supply and general uncertainty in many sectors.</p> <p>Some of the long-term effects (especially without effective policy instruments) are likely to carry over in 2022 and beyond.</p> | <p>The impact of COVID-19 on the economy has been sharp and has affected different sectors of the economy in different ways. We are focussing, through Resurgam, on six areas to help our economy to recover, to protect local jobs and to support our communities. These are:</p> <ul style="list-style-type: none"> <li>- Spend 4 Plymouth – A massive focus on local procurement for local jobs</li> <li>- Build 4 Plymouth – An ambitious capital programme and economic stimulus to support construction jobs, building a better and greener Plymouth</li> <li>- Skills 4 Plymouth – Extensive new support for young people and retraining our workforce for future jobs through our skills launch pad</li> <li>- City Centre Renaissance programme – support for our city centre and a regeneration plan</li> <li>- Resurgam Beacons – A focus on our future. We will seek to create new jobs in the blue and green economy. That is our amazing marine sector and a new green deal for jobs</li> <li>- Sector Action Plans – a bespoke package of interventions led by the private sector for our 11 key sectors, building on our Resurgam plans and innovating and collaborating together through our newly established Sector Hub.</li> </ul> <p>Supporting our sectors whether they are in critical shock, stable, or capable of high growth. These sectors are:</p> <ul style="list-style-type: none"> <li>- Construction and the Built Environment</li> <li>- Creative Industries</li> </ul> | 16         | <b>Amber</b><br> | Anthony Payne |

| No. | Description   | Mitigation  | Risk Score | Current risk rating  | Risk Owner   |
|-----|---|---|------------|--|--------------|
|     |   | <ul style="list-style-type: none"> <li>- Digital</li> <li>- Defence</li> <li>- Health and Care</li> <li>- Fishing</li> <li>- Manufacturing</li> <li>- Marine</li> <li>- Retail</li> <li>- Tourism and Hospitality</li> <li>- Transport and Distribution.</li> </ul> <p>We have also established the cross cutting theme of inclusive growth. Our aim is to 'build back better', growing a prosperous economy that reduces inequality, is sustainable and truly serves the wellbeing of all of the people of Plymouth.</p> |            |  |              |
| 5   | <p>Ongoing COVID-19 rates (with potential for further peaks) affect city's recovery / reset plans. It is not yet clear what mitigations will be needed for us to live with COVID-19. There remains a high risk of further waves but the timing is not certain. Rates remain high and as expected have increased over the Winter period. The greatest risk remains from new infectious variants that are both more severe in terms of their effects and are vaccine resistant.</p> | <ul style="list-style-type: none"> <li>- The key mitigation of vaccination has now reached around 85% (one or more doses) of those eligible. The roll out to younger children is likely to start soon.</li> <li>- However there are likely to be reductions in the mitigations currently in place (reduced testing, support payments and legal need for self isolation) and this creates uncertainty around case rates and the risk of delayed detection of new variants.</li> </ul>                                      | 16         | <p>Amber</p>  | Ruth Harrell |




| No. | Description  | Mitigation  | Risk Score | Current risk rating  | Risk Owner   |
|-----|--|---|------------|--|--------------|
| 6   | <p>Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health. Mounting evidence that COVID-19 is having differential health impacts across communities, adding to existing health inequalities. This is through either the disease itself or the mitigations put in place. There is an ongoing impact of this due to the economic downturn. The primary role of the ODPH and the Public Health Team in particular is now to try to manage COVID-19 in the city, therefore protecting most deprived communities from further negative impacts.</p> | <p>Persistent action across the Council is required at many levels to tackle inequalities by addressing the wider detriments of health. The public health team and partners continue to work with employers (year one focus) and schools (year two focus) to influence healthier lifestyles. The team continues to embed and promote the national One You campaign across the city. The 'five ways to wellbeing' has been adopted across the city as the single approach to improving mental wellbeing. The work that started in year five on 'people connecting through food' is ongoing with a number of new initiatives developed. The focus on arts, culture, heritage and health (using the Mayflower 400 commemorations) continued throughout 2020 and 2021. The Thrive Plymouth Network will re-start and continue to meet on a quarterly basis to ensure delivery of the programme. Discussions are ongoing about Year Seven of the Programme, which is likely to focus on Trauma Informed. Evidence has been provided to the Health and Wellbeing Board on the risk of widening health inequalities and partners are working together to try to mitigate. The local Care Partnership priorities are being refreshed and include tackling inequalities. Both of these routes bring partners together to understand the issues and the steps needed to tackle health inequalities in the city.</p> <p>In addition to this, to support the work of the Council's cross-party Child Poverty Working Group, a high level review of the evidence of the impacts of the pandemic on the mental wellbeing of children and young people has been carried out. As already stated, the primary role of the ODPH and the Public Health Team in particular is now to minimise the impact of COVID-19 in the city, therefore protecting most deprived communities from further negative impacts.</p> | 16         | <p>Amber</p>  | Ruth Harrell |

| No. | Description   | Mitigation  | Risk Score | Current risk rating | Risk Owner    |
|-----|---|---|------------|---------------------|---------------|
| 7   | Increased and sustained pressure on Adult Social Care budget due to increased costs of providing care, growing numbers of people and increased complexity of need. As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position. | <ul style="list-style-type: none"> <li>- Real time management information</li> <li>- Strong Reablement Offer</li> <li>- Established Review Programme</li> <li>- Commissioning Intentions and Commissioning Activity to develop new models of care</li> <li>- Budget containment meetings in place</li> <li>- Brief providers around risks relating to COVID-19 and infection control and safe system measures</li> <li>- Focus on reviews and reablement to right size packages of care including focused work on 18 to 64's</li> <li>- Emergency Plan to cover need to prioritise critical services</li> </ul>   | 16         | Amber<br>■          | Craig McArdle |
| 8   | Insufficient pupil attainment to achieve economic / quality of life outcomes across secondary cohort.   | <ul style="list-style-type: none"> <li>- Plymouth Education Board (PEB) (and sub groups) is being reviewed to strengthen education partnership</li> <li>- Strengthen School Causing Concern procedure</li> <li>- School improvement work will create a partnership of distinct interventions to drive improvement and raise achievement</li> <li>- Cause for concern meetings. Inclusion Strategy Board as an added strand of PEB work</li> <li>- Proposed Inclusion Mark for the city to celebrate inclusion.</li> </ul> <p>The Plymouth Standards Partnership Recovery &amp; Improvement Plan: A key priority is work to support disadvantaged pupils. The work of the Plymouth Commission has been extended to focus on attainment for secondary aged pupils and school improvement. This has also focussed on the impact of the COVID-19 response arrangements, and a survey of all secondary schools has been undertaken to inform priorities for re-engaging pupils in September. Schools are expected to have the capacity to offer immediate remote education for classes or groups who are required to self-isolate for a short period of time, or where there are local restrictions requiring pupils to remain</p> | 15         | Amber<br>■          | Alison Botham |


| No. | Description  | Mitigation   | Risk Score | Current risk rating   | Risk Owner  |
|-----|--|--|------------|---|-------------|
|     |  | at home. Schools are being offered a catch up premium of £80 per pupil for most schools, to assist with programmes of learning to support pupils who require additional support.   |            |   |             |
| 9   | The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities. | <ul style="list-style-type: none"> <li>- Develop online training programmes</li> <li>- Implementation of 'The Way We Work' programme (technology, information management, accommodation) to enable the right conditions for success</li> <li>- Review of senior structure</li> <li>- Review of business plans</li> <li>- Possible remodelling of services</li> <li>- Ongoing 1:1 supervision meetings</li> <li>- Working towards Gold Wellbeing at Work Award</li> <li>- Increase in number of Wellbeing Champions to 60 (from 44)</li> <li>- Implement New Ways of working and deliver Accommodation Strategy.</li> </ul> | 15         | <b>Amber</b><br>   | Andy Ralphs |
| 10  | The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations.   | <ul style="list-style-type: none"> <li>- Continued roll out staff awareness training to all staff</li> <li>- Implement greater reporting consistency within directorates</li> <li>- Implement improved incident analysis within the Service Desk</li> <li>- Improved contract management with partners</li> <li>- Improve Privacy notice templates and ensure all gaps are addressed</li> <li>- Standardised breach management processes distributed to key staff</li> <li>- Reviewed policies to be communicated to all staff.</li> </ul>   | 15         | <b>Amber</b><br>   | Andy Ralphs |
| 11  | The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.   | <ul style="list-style-type: none"> <li>- Agree substantive future working arrangements according to worker type</li> <li>- The Big Listen November 2021</li> <li>- Delivery of 21/22 HS&amp;W action plan</li> <li>- Taking action on future Government guidelines in relation to COVID-19.</li> </ul>   | 15         | <b>Amber</b><br> | Andy Ralphs |

| No. | Description   | Mitigation   | Risk Score | Current risk rating | Risk Owner                      |
|-----|---|--|------------|---------------------|---------------------------------|
| 12  | The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26) | <p>The Council has also taken the following steps</p> <p>(1) to adopt a 5 year MTFP moving forward rather than a 1 year or 3 year model</p> <p>(2) to adopt a system of monthly financial reporting to Directorate Management Teams, Corporate Management Team, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee</p> <p>In addition the Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control. In acknowledgement of budget pressures and the choices that lie ahead on a successive basis to balance future budget shortfalls the Council has launched a Budget Consultation process to inform difficult budget choices moving forward.</p> | 12         | <b>Amber</b><br>■   | Brendan Arnold                  |
| 13  | The Council is unable to fulfil its legal obligations regarding the safety of its citizens and service recipients.                                | <ul style="list-style-type: none"> <li>- Statutory post holders</li> <li>- Commissioning and service Improvement plans</li> <li>- Budgetary management</li> <li>- Revision of business plans.</li> </ul>   | 12         | <b>Amber</b><br>■   | Alison Botham/<br>Craig McArdle |
| 14  | Departure from EU single market with The Trade and Cooperation Agreement could further decreases city economic output.                            | <ul style="list-style-type: none"> <li>- Continued regional engagement to maintain strong influence</li> <li>- Monitor proposed regulatory changes for service impact</li> <li>- Continue to act promptly on government guidelines when issued.</li> </ul>   | 12         | <b>Amber</b><br>■   | Giles Perritt                   |
| 15  | Risk of failing to meet carbon reduction targets to reach net zero by 2030.   | <ul style="list-style-type: none"> <li>- Year 1 action plans have been completed for both CEAP and CCRP</li> <li>- Year 2 action plans have been completed for both CEAP and CCRP</li> <li>- Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee have received six monthly performance updates</li> </ul>  | 12         | <b>Amber</b><br>■   | Anthony Payne                   |

| No. | Description  | Mitigation  | Risk Score | Current risk rating   | Risk Owner    |
|-----|--|---|------------|---|---------------|
|     |  | <ul style="list-style-type: none"> <li>- Year 3 action plans for both CEAP and CCRP agreed Full Council in January 2022.</li> </ul>   |            |   |               |
| 16  | Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.   | <p>The Council have partnered with the Waste Industry body WRAP to jointly commission external support to assess the likely impacts and opportunities of the Environment Bill. The funding for this work has been wholly met by DEFRA. The procurement of this work completed by November 2021 with a final report due in March 2022. The scope of the work is as follows:</p> <ul style="list-style-type: none"> <li>- To understand the implications of, and ensure the Council meets, the government's requirements as proposed in the Resources &amp; Waste Strategy</li> <li>- To help inform the future design of the Council's household waste collection service and understand the implications in terms of reprocessing infrastructure</li> <li>- To understand the likely impact that changes to the current household waste collection service will have on the Council's recycling performance</li> <li>- To consider where operational efficiencies can be achieved whilst still delivering a service that meets the needs of its residents and allows the Council to maintain high levels of customer satisfaction</li> <li>- To appraise whether existing waste management infrastructure and assets in Plymouth, and the surrounding area, are likely to be sufficient for future requirements; and if they are deemed not to be then to provide options to inform the Council's waste strategy and spatial planning.</li> </ul> | 12         | <b>Amber</b><br> | Anthony Payne |
| 17  | Staff resilience to causative factors of stress variable resulting in the primary reason for short and long term absences being due to stress / psychological factors; reduced | <ul style="list-style-type: none"> <li>- Zero Tolerance to violence and aggression campaign due to launch in Quarter 4; additional resources being sought for CYPF re work demands</li> <li>- Time to talk day - pro-active communications to keep awareness raised of support available</li> <li>- The Big Listen - staff survey to monitor any changes to wellbeing</li> </ul>  | 12         | <b>AMBER</b><br>(Moved from Operational to Strategic Risk)  | Andy Ralphs   |

| No. | Description   | Mitigation  | Risk Score                            | Current risk rating       | Risk Owner     |
|-----|---|---|---------------------------------------|---------------------------|----------------|
|     | morale, loss of productivity with impact on delivery.   | - Wellbeing Champions across the organisation as 1st line of support to colleagues and driving a program of initiatives.  |                                       | Register in January 2022) |                |
| 18  | In 2019/20 the Council adopted under legal advice a proposal to make additional upfront contributions to offset the Council's pension fund deficit. During the audit of the 2019/20 accounts - which was delayed because of the Pandemic - it became apparent that the External Auditor did not agree that the accounting treatment used was lawful. During 2021 the Council has taken further legal advice to identify a way of accounting for the transaction that is agreed with the External Auditor; consideration of this advice continues at the present time. The risk is that if a mutually acceptable way of accounting for the transaction cannot be agreed with the External Auditor and advising counsel then the Council may need to explore alternative means of achieving a solution which sit within the appropriate legal parameters. | <ul style="list-style-type: none"> <li>- Liaison with legal advisers</li> <li>- Consultation with the Auditor</li> <li>- Possible consultation with Government</li> </ul> | TBC – subject to further legal advice |                           | Brendan Arnold |

| No. | Description  | Mitigation  | Risk Score | Current risk rating          | Risk Owner    |
|-----|--|---|------------|------------------------------|---------------|
|     |  |   |            |                              |               |
| 19  | Risk of failing to deliver the range of housing to meet Plymouth's need. | <ul style="list-style-type: none"> <li>- Strategic Land Review completed and released 50 housing sites to the market.</li> <li>- Established Housing Investment Fund in Plan for Homes 3 to support interventions to unlock housing delivery.</li> <li>- Working with Homes England to develop a Placed Based Strategic Partnership to unlock and deliver a pipeline of housing sites, support City Centre renaissance and to help align Government funding with housing site opportunities. Proposal to establish a tripartite partnership between The Department for Levelling Up, Housing, Communities and Local Government, Homes England and Plymouth City Council/South Hams/West Devon with the vision to transform the pace and quality of housing provision to fully meet housing need. Work with Homes England has led to agreed solutions and Deeds of Variation on 4 legacy sites to unlock delivery.</li> <li>- Launched the Plymouth Eco-Homes Programme to support building a pipeline deliver over 250 low-carbon and net-zero homes across Plymouth.</li> <li>- Embarking on our Direct Delivery of new homes to drive up good design, quality and sustainable living. Identifying a pipeline of future sites to support our direct delivery ambitions.</li> <li>- Developed 2 Housing Partnership Agreements with key Housing Association Partners to maximise their investment and delivery in the city.</li> <li>- Considering site acquisitions and provided funding to help unlock stalled Joint Local Plan (JLP) sites. Reviews of JLP sites completed and monitored, with delivery strategies being implemented. Site allocations tracker used to monitor delivery and progress throughout the year, working with officers to explore necessary actions to bring sites forward and establish trusted partnership. Facilitate PPAs with developers to encourage delivery and facilitate proactive working arrangements.</li> </ul> | 9          | <div>Green</div> <div></div> | Anthony Payne |

| No. | Description   | Mitigation   | Risk Score | Current risk rating   | Risk Owner    |
|-----|---|--|------------|---|---------------|
|     |   | <ul style="list-style-type: none"> <li>- Bidding to a number of Government funding programmes to support new homes.</li> <li>- Ongoing work with Homes England and Department for Levelling Up, Housing, Communities and Local Government to unlock funding and making the case for a fairer allocation of national funding for homes.</li> <li>- Ongoing innovation to improve the proactive and fast track approach to planning to deliver housing.</li> <li>- Monitoring development activity in the construction sector to understand the effect of COVID-19 on housebuilding.</li> <li>- We will manage the 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions.</li> <li>- Work with Resurgam programme to develop measures to support and boost housebuilding, supporting Plymouth's economic recovery and other Resurgam activity.</li> <li>- Work with the Plymouth Housing Development Partnership to leverage their investment and progress housing projects to stimulate affordable housing delivery, and support Small and Medium Enterprises to start building again</li> <li>- We will work with Department for Levelling Up, Housing, Communities and Local Government and Homes England to maximise investment in new homes and infrastructure.</li> </ul> |            |   |               |
| 20  | Risk to vulnerable children and young people in the care system, by not delivering early intervention and prevention. | Continue to drive forward change across the partnership in relation to whole family working, engagement with the Early Help Assessment Tool process, data exchange and achieving the outcomes required within the Troubled Families Outcomes Plan.   | 6          | <b>Green</b><br> | Alison Botham |



## 4.0 Operational Risk Register

4.1 There are now 126 risks on the operational risk register. The number of red risks has increased from three in October 2021 to four in February 2022 following the escalation of a risk relating to the loss of confidential/sensitive data. The red risks relate to the following:


- Risk of loss of life, injury or property damage due to tree falling within the city and at Mount Edgcumbe
- The management arrangements of Asbestos
- The risk of injury or incident linked to traffic management and segregation at Council depots.
- Risk of loss of confidential/sensitive data

Further details on the 'red risks' are shown in table two below.

**Table two – Operational Risk Register Updates – Red Risks only**

| No. | Description  | Mitigation  | Risk Score | Current risk rating                         | Risk Owner                   |
|-----|--|---|------------|---|------------------------------|
| 1   | <p>Risk of loss of life, injury or property damage due to tree falling within the city and at Mount Edgcumbe.</p> <p>Ash dieback is now present in the city and Mt Edgcumbe and is affecting large numbers of ash trees, meaning they are more susceptible to shedding limbs. Ash is the third most common species of tree in Devon and represents 1000s of the trees on land in the city. The disease is expected to infect over 90% of ash trees in the city in the coming years and therefore</p> | <ul style="list-style-type: none"> <li>- Works ongoing due to large backlog of work</li> <li>- Initial assessment of Ash dieback and report issued</li> <li>- Tree Risk Management Review completed</li> <li>- Increased partnership working and share</li> <li>- Higher risk rating relates to Mount Edgcumbe and requirement for capital funding to deliver tree management plan</li> <li>- Still a case to be raising this at national level to ensure that costs to local authorities are recognised by national government, Department for Environment, Food and Rural Affairs and the Department of Levelling Up, Housing and Communities.</li> </ul> | 20         | <p><b>Red</b></p> <p>Red since Oct 2021</p> | David Draffan / Paul Barnard |

|   |  |   |    |  |                 |
|---|--|---|----|--|-----------------|
|   | increases the risk to public safety and damage to infrastructure, as well as having a significant impact on biodiversity and decreasing the city's canopy cover.   |   |    |  |                 |
| 2 | Inadequate Asbestos Management Arrangements - resulting in closure of buildings/services, legislation breach, potential litigation for health claims, failure of duty of care, poor corporate governance | <ul style="list-style-type: none"> <li>- Completion of the pilot of three buildings</li> <li>- Roll out of the Maximum Acceptable Concentration initiative to all remaining buildings</li> <li>- Management of the buildings, linked to Person in Charge changes and take up within all risk areas.</li> </ul>  | 20 | <b>Red</b><br><b>Red</b><br>since Feb 2021 | Kim Brown       |
| 3 | Risk of injury or incident from inadequate traffic management and segregation between pedestrians and vehicles at depots   | <ul style="list-style-type: none"> <li>- Project works to address all aspects of site traffic flow and pedestrian segregation</li> <li>- Training programme to ensure that all employees, contractors and businesses operating on site understand the Safety Watch Observation Programme</li> <li>- Project Board to be initiated to ensure that all project works are managed as a coherent whole</li> <li>- Perimeter fencing to be installed around land fill site</li> <li>- Replacement of push walls in Refuse Transfer Station and green waste area</li> <li>- Assurance around environmental agency requirements for the monitoring of gases and leachate.</li> </ul> | 20 | <b>Red</b><br><b>Red</b><br>since Oct 2021 | Philip Robinson |

|   |   |  |    |   |             |
|---|---|--|----|---|-------------|
| 4 | Risk of loss of confidential/sensitive data and fines by not ensuring there is adequate business continuity processes in place following an information security breach to protect the council's assets | <ul style="list-style-type: none"> <li>- Revised eLearning package has been rolled out to all staff with PC access.</li> <li>- Booklet to be produced for staff who do not have access to a pc.</li> <li>- Business Continuity Plans to be updated for loss of information.</li> </ul> | 20 | <b>Red</b><br><br>Red since Jan 2022 | Andy Ralphs |
|---|---|--|----|---|-------------|



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APPENDIX B PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FEBRUARY 2022

| ROW NO | RISK REF                                  | Directorate                     | Service | DEPT                                    | DESCRIPTION OF RISK<br>(Risk description should include cause / risk event / consequence and risk category)  | Policies and procedures<br>Link to business plan<br>Delegations of authority / Fraud checks<br>Risk and control framework<br>Performance Management<br>Project Management reviews   | KEY CONTROLS / SOURCES OF ASSURANCE (aligned to three lines of defence) |   |        |                                    |        |    | RAG<br>RATING<br>/CHANG<br>E IN<br>RISK<br>RATING | ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN   | RESPONSIBLE<br>OFFICER(S) | DIRECTOR /<br>ASSISTANT<br>DIRECTOR |
|--------|---|---------------------------------|---------|---|--|---|---|---|--------|------------------------------------|--------|----|---|--|---------------------------|-------------------------------------|
|        |   |                                 |         |   |  |   | PREVIOUS<br>RESIDUAL<br>RISK RATING                                     |   |        | CURRENT<br>RESIDUAL<br>RISK RATING |        |    |   |  |                           |                                     |
|        |   |                                 |         |   |  |   | P   | I |        | P                                  | I      |    |   |  |                           |                                     |
|        |   |                                 |         |   |  | First Line of Defence (Operational management activity)   |   |   | Oct-21 |                                    | Feb-22 |    |   |  |                           |                                     |
|        |   |                                 |         |   |  |   |   |   | P      | I                                  |        | P  | I   |  |                           |                                     |
| 1      | COVID-19<br>ORR (OF2)<br>IRR<br>BREXIT    | Customer and Corporate Services | Finance | Finance                                 | The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26). The Council has taken the following steps (1) to adopt a 5 year MTFP moving forward rather than a 1 year or 3 year model (2) to adopt a system of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition the Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control. In acknowledgement of budget pressures and the choices that lie ahead on a successive basis to balance future budget shortfalls the Council has launched a Budget Consultation process to inform difficult budget choices moving forward. | These are rehearsed in the panel to the left and include all aspects of the rigorous reporting framework that is described from directorate DMT's through to the monthly report at Scrutiny Committees of financial expenditure and attainment of savings taken into the budget.  | 3   | 4 | 12     | 3                                  | 4      | 12 | —<br><br>A  | The Council is developing a multi year savings programme to deal with future challenges to inform the MTFP that will be reported to Full Council in Feb 2022.  | David Northey/Paul Looby  | Brendan Arnold                      |
| 2      | SCYPF2<br>ORR (OCYPF1)<br>IRR<br>COVID-19 | Children's Services             | CYPFS   | Children's Social Care                  | Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services<br><br>'Hidden harm' consequences of infection control measures and safe systems of work limitations add to existing pressures on service. Risk of continued rising demand for children to come into care since the pandemic in March 2020.<br><br>Risk Category: FINANCIAL  | Trend analysis informing projections about the numbers of children coming into care to monitor activity. Regular scrutiny via lead member for children and finance.   | 4   | 5 | 20     | 4                                  | 5      | 20 | —<br><br>A  | Additional social work capacity agreed to support effectively delivery of casework. Fostering Project Delivery Plan in place<br>High cost placement review supported by named Service Manager Adolescent Support Team reunification and edge of care service supporting over 60 young people at anyone time, .<br>Ongoing rigour in decision making to manage demand via Placement Panel which takes place weekly and overseen by a dedicated service manager with responsibility for reducing costs of individual placements and ensuring timely step down. Ensuring action plan milestones are reached via monthly monitoring at Programme Board/Finance DMT. All delivery plans have been reviewed and progress is being achieved to mitigate delays caused by COVID-19 response.   | Jean Kelly                | Alison Botham                       |
| 3      | SEPS1<br>COVID-19<br>IRR                  | Children's Services             | EPS     | Education, Participation & Skills       | Insufficient pupil attainment to achieve economic / quality of life outcomes across secondary cohort<br><br>Continuing decreased access to and attendance at schools overlays previous challenges in secondary education. Additional challenges of attendance and attainment during COVID-19 pandemic may have an increased impact on those secondary students already disadvantaged.<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING  | Ofsted inspection outcome tracking. Data analysis. Plymouth Education Board Policy for Intervention, Challenge and Support for Schools makes clear the relationship with schools. Inclusion Strategy Board  | 3   | 5 | 15     | 3                                  | 5      | 15 | —<br><br>A  | Plymouth Education Board (PEB) (and sub groups) is being reviewed to strengthen education partnership. Strengthen School Causing Concern procedure. School improvement work will create a partnership of distinct interventions to drive improvement and raise achievement. Cause for concern meetings. Inclusion Strategy Board as an added strand of PEB work. Proposed Inclusion Mark for the City to celebrate inclusion. The Plymouth Standards Partnership Recovery & Improvement Plan: A key priority is work to support disadvantaged pupils. The work of the Plymouth Commission has been extended to focus on attainment for secondary aged pupils and school improvement. This has also focussed on the impact of the COVID-19 response arrangements, and a survey of all secondary schools has been undertaken to inform priorities for re-engaging pupils in September. Schools are expected to have the capacity to offer immediate remote education for classes or groups who are required to self-isolate for a short period of time, or where there are local restrictions requiring pupils to remain at home. Schools are being offered a catch up premium of £80 per pupils for most schools, to assist with programmes of learning to support pupils who require additional support. At this time, it is intended that subject to some adjustments to content and activity, in the summer 2021 for GCSE, AS and A level are all teacher assessed.  | Ming Zhang                | Alison Botham                       |
| 4      | SED1<br>COVID-19<br>BREXIT                | Place                           | ED      | Economic Development                    | Insufficient economic performance to sustain the City's economy and growth plans.<br><br>The risk to economic performance is a combination of the ongoing impacts of the coronavirus, Brexit, labour shortages, infrastructure challenges relating to material supply and general uncertainty in many sectors.<br><br>Some of the long-term effects (especially without effective policy instruments) are likely to carry into later in 2022 and beyond.<br><br>Risk Category: DEVELOPMENT & REGENERATION  | A cross department team remains mobilised harnessing the resources across the city to recover from economic shock. This is underpinned by evidence and partnership working<br>This plan (Resurgam) is builds on existing projects alongside new initiatives. We are also harnessing national and regional support, so we can minimising impact and recovering quicker. The Resurgam approach is to build on the bedrock sectors (Health, Manufacturing, Defence and Tech/Digital) support the sectors in critical shock to adapt and change (retail hospitality and leisure). Solutions need to think about people as well as places and how they are interlinked to have most impact. Future projects are still emerging but include flagships/pillars around<br>• Skills – includes careers advice and guidance, building Plymouth. Skills Launchpad Plymouth officially launched in Sept 2021.<br>• Marine and defence – includes future oceans institute<br>• Inclusive Growth and Spend for Plymouth – includes revised approach to procurement, harnessing the voluntary and community groups, social investment<br>• Sector plans  | 4   | 4 | 16     | 4                                  | 4      | 16 | —<br><br>A  | The impact of COVID-19 on the economy has been sharp and has affected different sectors of the economy in different ways. We are focussing, through Resurgam, on 6 areas to help our economy to recover, to protect local jobs and to support our communities. These are:<br>• Spend 4 Plymouth – A massive focus on local procurement for local jobs.<br>• Build 4 Plymouth – An ambitious capital programme and economic stimulus to support construction jobs, building a better and greener Plymouth.<br>• Skills 4 Plymouth – Extensive new support for young people and retraining our workforce for future jobs through our skills launch pad.<br>• City Centre Renaissance programme – support for our city centre and a regeneration plan.<br>• Resurgam Beacons – A focus on our future. We will seek to create new jobs in the Blue and green economy. That is our amazing marine sector and a new green deal for jobs.<br>• Sector Action Plans – a bespoke package of interventions lead by the private sector for our 11 key sectors, building on our Resurgam plans and innovating and collaborating together though our newly established Sector Hub. Supporting our sectors whether they are in critical shock, stable, or capable of high growth. These sectors are:<br>o Construction and The Built Environment<br>o Creative Industries<br>o Digital<br>o Defence<br>o Health and Care<br>o Fishing<br>o Manufacturing<br>o Marine<br>o Retail<br>o Tourism and Hospitality<br>o Transport and Distribution<br>We have also established the cross cutting theme of inclusive growth. Our aim is to 'build back better' growing a prosperous economy that reduces inequality, is sustainable and truly serves the wellbeing of all the people of Plymouth.<br>Please note: Construction inflation will have an impact on projects and is predicted to rise by 26% by 2026 (3% per quarter). | David Draffan             | Anthony Payne                       |
| 5      | STS2<br>COVID-19<br>IRR<br>ORR            | ODPH                            | OPPH    | Office of the Director of Public Health | Ongoing COVID-19 rates (with potential for further peaks) affect city's recovery / reset plans. It is not yet clear what mitigations will be needed for us to live with COVID-19. There remains a high risk of further waves but the timing is not certain. Rates remain high and are likely to increase over the Winter period.<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING   | Local Outbreak Management Plan co-designed and published. This plan is updated regularly. Multi-agency Health Protection Board meets on a fortnightly basis to discuss management of the pandemic locally. Local Outbreak Engagement Board meets monthly to discuss city-wide strategic issues.   | 4   | 4 | 16     | 4                                  | 4      | 16 | —<br><br>A  | The key mitigation of vaccination has now reached around 85% (one or more doses) of those eligible. The roll out to younger children is likely to start soon. However there are likely to be reductions in the mitigations currently in place (reduced testing, support payments and legal need for self isolation) and this creates uncertainty around case rates and the risk of delayed detection of new variants.  | Sarah Lees / Rob Nelder   | Ruth Harrell                        |
| 6      | STS1<br>IRR<br>COVID-19                   | ODPH                            | ODPH    | Office of the Director of Public Health | Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health. Mounting evidence that COVID-19 is having differential health impacts across communities, adding to existing health inequalities. This is through either the disease itself or the mitigations put in place. There is an ongoing impact of this due to the economic downturn. The primary role of the ODPH and the Public Health Team in particular is now to try to manage COVID-19 in the city therefore protecting most deprived communities from further negative impacts.<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING   | The Thrive Plymouth framework was adopted by full Council in 2014 and links directly to the Plymouth Plan and Integrated Commissioning Strategies. It provides a good foundation to achieve prevention in all services and decision making processes. The focus of Thrive Plymouth in year one was on workplace health and wellbeing, in year two it was on schools and young people, in year three it was on localising the national 'One You' health improvement campaign. In year four was on mental wellbeing (focussing on the five ways to wellbeing) and in year five was on people connecting through food. The current year six focus is arts, culture, heritage and health and is using the Mayflower 400 commemorations as the vehicle for delivery. This was launched on 29 November 2019. It was intended that the focus of year seven (starting in November 2020) would be trauma informed. However the impact of the COVID-19 pandemic meant that the Public Health Team did not have the capacity to develop and deliver year seven as originally planned. However recruitment to vacant posts has meant that planning for the re-boot of the Thrive Plymouth Programme has now begun with Year Seven likely to focus on trauma informed. In addition to the Thrive Plymouth-related work, the Public Health Team has worked with an extensive network of internal and external partners to secure the opening of a number of Wellbeing Hubs across the city. | 4   | 4 | 16     | 4                                  | 4      | 16 | —<br><br>A  | Persistent action across the Council is required at many levels to tackle inequalities by addressing the wider detriments of health. The public health team and partners continue to work with employers (year one focus) and schools (year two focus) to influence healthier lifestyles. The team continues to embed and promote the national One You campaign across the city. The 'Five ways to wellbeing' has been adopted across the City as the single approach to improving mental wellbeing. The work that started in year five on 'people connecting through food' is ongoing with a number of new initiatives developed. The focus on arts, culture, heritage and health (using the Mayflower 400 commemorations) continued throughout 2020 and 2021. The Thrive Plymouth Network will re-start and continue to meet on a quarterly basis to ensure delivery of the programme. Discussions are ongoing about Year Seven of the Programme which is likely to focus on Trauma Informed. Evidence has been provided to the Health and Wellbeing Board on the risk of widening health inequalities and partners are working together to try to mitigate. The local Care Partnership priorities are being refreshed and includes tackling inequalities. Both of these routes bring partners together to understand the issues and the steps needed to tackle health inequalities in the City. In addition to this, to support the work of the Council's cross-party Child Poverty Working Group, a high level review of the evidence of the impacts of the pandemic on the mental wellbeing of children and young people has been carried out. As already stated, the primary role of the ODPH and the Public Health Team in particular is now to minimise the impact of COVID-19 in the city therefore protecting most deprived communities from further negative impacts.                               | Sarah Lees / Rob Nelder   | Ruth Harrell                        |
| 7      | SHR1<br>COVID-19                          | Customer and Corporate Services | HR0D    | Customer & Corporate HR0D               | The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities<br><br>New service obligations, such as Caring Plymouth, local outbreak control, PPE provision etc. in addition to Operation Lillypad need to be considered alongside existing obligations, some of which have been made more challenging by COVID-19.<br><br>Risk Category: SERVICE DELIVERY / REPUTATION   | Volunteering<br>Review working patterns ensure staff leave is taken<br>Review posts prior to recruitment<br>Workforce data<br>Employee Assistance Programme in place.<br>Organisational Restructure toolkit in place.<br>Agile HR policies and procedures available on staffroom.<br>Sickness absence and staff turnover monitored<br>Annual Performance Reviews and objective setting<br>Admin review<br>Core hours paused and flexi limits extended<br>Additional capacity brought into Children, Young People and Families   | 5   | 3 | 15     | 5                                  | 3      | 15 | —<br><br>A  | Develop online training programmes<br>Implementation of 'The Way We Work' programme (technology, information management, accommodation) to enable the right conditions for success.<br>Review of senior structure<br>Review of business plans<br>Possible remodelling of services<br>Ongoing 1:1s<br>Working towards Gold Wellbeing at Work Award<br>Increase in number of Wellbeing Champions to 60 (from 44)<br>Implement New Ways of working and deliver Accommodation Strategy   | Kim Brown                 | Andy Ralphs                         |

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APPENDIX B PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FEBRUARY 2022

| ROW NO | RISK REF  | Directorate                     | Service                       | DEPT   | DESCRIPTION OF RISK<br>(Risk description should include cause / risk event / consequence and risk category)   | Policies and procedures<br>Link to business plan<br>Delegations of authority / Fraud checks<br>Risk and control framework<br>Performance Management<br>Project Management reviews  | PREVIOUS<br>RESIDUAL<br>RISK RATING | CURRENT<br>RESIDUAL<br>RISK RATING | RAG<br>RATING<br>/CHANG<br>E IN<br>RISK<br>RATING | ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN   | RESPONSIBLE<br>OFFICER(S)        | DIRECTOR /<br>ASSISTANT<br>DIRECTOR |
|--------|---|---------------------------------|-------------------------------|--|---|--|-------------------------------------|------------------------------------|---|--|----------------------------------|-------------------------------------|
|        |   |                                 |                               |  |   |  | Oct-21<br>P I                       | Feb-22<br>P I                      |   |  |                                  |                                     |
| 8      | SF5<br><a href="#">IRR</a>                                | Customer and Corporate Services | Digital and Customer Services | Transformation   | <b>The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations</b><br>results in loss of trust in the Council and/or financial penalty from the Information Commissioner's Office (ICO)<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING   | Staff awareness training has been rolled out.<br>Incident reporting and management in place.<br>Escalation of breaches to Senior Information Risk Owner (SIRO).<br>Annual IT Health Check<br>Regular vulnerability scans carried out<br>IT Infrastructure patching policy in place<br>Pro-active monitoring by Babcock.<br>ICO Action Plan.<br>Information Audit completed for all departments<br>Staff workshops completed re: GDPR   | 5315                                | 5315                               | —<br><br>A  | Continued roll out staff awareness training to all staff.<br>Implement greater reporting consistency within directorates.<br>Implement improved incident analysis within the Service Desk.<br>Improved contract management with partners.<br>Improve Privacy notice templates and ensure all gaps are addressed<br>Standardised breach management processes distributed to key staff.<br>Reviewed policies to be communicated to all staff   | Pete Honeywell                   | Andy Ralphs                         |
| 9      | SIC1<br>COVID-19<br>HSW                                   | People                          | SC                            | People (Commissioning & Children's Services)                   | The Council is unable to fulfil its legal obligations regarding the safety of its citizens and service recipients<br><br>Significant challenges presented by the scope of service activities, range of workforce environments, clarity of guidelines/legislation and unpredictability of epidemiology, with the added pressures of supply chain management and organisational capacity to deliver<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING   | Safe Systems of Work Programme<br>Performance Data<br>Contract Management<br>Weekly review of risk assessments, management oversight and audit   | 3412                                | 3412                               | —<br><br>A  | Statutory Post holders<br>Commissioning and service Improvement plans<br>Budgetary Management<br>Revision of business plans  | Alison Botham /<br>Craig McArdle | Alison Botham /<br>Craig McArdle    |
| 10     | SHR2<br>COVID-19<br>HSW                                   | Customer and Corporate Services | HR0D                          | Customer & Corporate HR0D                                      | <b>The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.</b><br><br>Significant challenges presented by the scope of service activities, range of workforce environments, clarity of guidelines/legislation and unpredictability of the rate of COVID-19.<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING  | Generic Risk Assessment, Safe Systems of Work and Tool Box talks updated with change of Government Guidance and reviewed at local level to ensure consistency across services re infection control<br>Safe Systems of Work Programme<br>Display Screen Equipment (DSE) guidance in place<br>COVID-19 Homeworking checklist implemented to ensure employees working from home have all standard DSE equipment, and specialist assessment where required<br>Delivery service instigated following COVID-19 infection control guidelines<br>COVID-19 wellbeing pages has DSE advice and support cited<br>Access to ergonomist assessment via medigold available<br>Wellbeing Pulse survey repeated at regular intervals<br>Risk assessments of vulnerable staff<br>PPE Policy in place with ordering and supply process operational   | 3515                                | 3515                               | —<br><br>A  | Agree substantive future working arrangements according to worker type<br><br>The Big Listen November 2021<br><br>Delivery of 21/22 HS&W action plan<br><br>Taking action on future Government guidelines in relation to COVID-19  | Kim Brown                        | Andy Ralphs                         |
| 11     | SCEO3<br><br>ORR<br>(OCEO12)<br>IRR<br>BREXIT<br>COVID-19 | CEX                             | CEX                           | CEX  | <b>Departure from EU single market with The Trade and Cooperation Agreement could further decreases city economic output.</b> Trading standards impacts may be significant when full border operations commence - not currently evident as ferry service is suspended.<br>EU Settlement Scheme closed to new applicants in July predicted labour market shortage is now starting to show and are acute in some sectors including health and social care.<br>No new business failures recorded locally since August may be difficult to disaggregate the impact of the Trade and Cooperation Agreement from COVID-19 impact.<br>Ferry services have recommenced no operational problems arising from phase 1 and 2 of the Border Operating Model delivery of BCP delayed until November but ferry services will be suspended from October until March.<br>Macro economic affects now starting to ramp up inflationary pressure are rising e.g. wage increases fuel to labour market supply problems and supply shortages leading to prices rises especially on fuel which feeds wider price increases, likely the MPC will react with interest rate increases and could also impact on currency rates.<br>Unilateral UK changes in regulations could add additional unfunded burdens to LAs of radically impact on service delivery e.g. planning reforms. | Brexit Organisational and City specific risk registers linked to corporate risk registers are no longer being updated.<br>Economic and consequential financial risks impacts may be traced back to Brexit but there is limited political will to do so and they are largely now viewed simply as the new economic reality. As such they are probably best dealt with through mainstream council financial risk management.<br>One exception is in relation to labour market shortages which are likely to have direct impact on Council finances in staff recruitment and associated wage pressures especially in health and social care and indirect impact through potential business relocation where labour requirements cannot be met locally.<br>Operational readiness needs to be maintained in relation to the evolving UK post brexit regulatory framework and in particular in relation to the border control issues that are likely to arise when the UK finally implements the proposed border control model as this is likely to create a new set of supply chain related issues as well as an increased administrative burden at our port. | 4312                                | 4312                               | —<br><br>A  | Continued regional engagement to maintain strong influence.<br>Monitor proposed regulatory changes for service impact<br>Continue to act promptly on government guidelines when issued.  | Kevin McKenzie                   | Giles Perritt                       |
| 12     | SSPI2<br>COVID-19<br>BREXIT                               | Place                           | SPI                           | Strategic Planning & Infrastructure (Housing & Infrastructure) | Risk of failing to deliver the range of housing to meet Plymouth's need via the Joint Local Plan (JLP) and the Plan for Homes Programme<br><br>Housing supply is close to the core of Joint Local Plan delivery and a number of COVID-19 related factors will impact our ability to deliver to previously agreed levels<br><br>Covid risk: reduced demand for homes in Plymouth urban area, as well as reducing labour force, increasing cost of materials, viability and logistics as Brexit.<br><br>Risk Category: DEVELOPMENT & REGENERATION<br><br>Brexit Risk: Potential impact of rising material costs and shortfall of labour on Plan for Homes and Capital Programme   | Driving progress on previous Plan for Homes site releases to seek accelerated construction of new homes, progress regularly reviewed with Portfolio Holder.<br><br>Sites identified in the JLP 5 year land supply regularly reviewed to consider what actions might bring forward sites currently in years 6 and 7 into 5 year supply.<br><br>Each JLP site now has a Delivery Strategy, with options identified for potential intervention based upon the identification barriers and resources. Data base established to allow for more effective review of actions and progress.<br><br>Review of partnerships and partners to manage delivery and ensure capability and maximise capacity, including funding for new homes.<br><br>Working with DLUHC & Homes England to develop a Place Based Strategic Partnership to maximise joint working, funding and alignment of housing delivery priorities.<br>Proposal to establish a tripartite partnership between DLUHC, HE and PCC/SH&WD with the vision to transform the pace and quality of housing provision to fully meet housing need.   | 339                                 | 339                                | —<br><br>G  | Strategic Land Review completed and released 50 housing sites to the market.<br>Established Housing Investment Fund in Plan for Homes 3 to support interventions to unlock housing delivery.<br>Working with Homes England to develop a Place Based Strategic Partnership to unlock and deliver a pipeline of housing sites, support City Centre renaissance and to help align Government funding with housing site opportunities. Proposal to establish a tripartite partnership between DLUHC, HE and PCC/SH&WD with the vision to transform the pace and quality of housing provision to fully meet housing need.<br>Work with Homes England has led to agreed solutions and Deeds of Variation on 4 legacy sites to unlock delivery. Launched the Plymouth Eco-Homes Programme to support building a pipeline deliver over 250 low-carbon and net-zero homes across Plymouth.<br>Embarking on our Direct Delivery of new homes to drive up good design, quality and sustainable living. Identifying a pipeline of future sites to support our direct delivery ambitions.<br>Developed 2 Housing Partnership Agreements with key Housing Association Partners to maximise their investment and delivery in the city. Considering site acquisitions and provided funding to help unlock stalled JLP sites. Reviews of JLP sites completed and monitored, with delivery strategies being implemented. Site allocations tracker used to monitor delivery and progress throughout the year, working with officers to explore necessary actions to bring sites forward and establish trusted partnership. Facilitate PPAs with developers to encourage delivery and facilitate proactive working arrangements.<br>Bidding to a number of Government funding programmes to support new homes.<br>Ongoing work with Homes England and MHCLG to support the delivery to unlock funding and making the case for a fairer allocation of national funding for homes.<br>Ongoing innovation to improve the proactive and fast track approach to planning to deliver housing.<br>Monitoring development activity in the construction sector to understand the effect of COVID-19 on housebuilding.<br>We will manage the 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions.<br>Work with Resurgam programme to develop measures to support and boost housebuilding, supporting Plymouth's economic recovery and other Resurgam activity.<br>Work with the Plymouth Housing Development Partnership to leverage their investment and progress housing projects to stimulate affordable housing delivery, and support SME's to start building again.<br>We will work with MHCLG and Homes England to maximise investment in new homes and infrastructure. | Paul Barnard                     | Anthony Payne                       |
| 13     | SCYPF1<br>COVID-19<br>IRR                                 | Children's Services             | CYPFS                         | Children's Social Care   | <b>Risk to vulnerable children and young people in the care system, by not delivering early intervention and prevention</b> and responding as soon as possible to their needs and promote better long term life outcomes.<br><br>Early intervention aims to promote better long term life outcomes for families, and in doing so, also prevent them needing more intensive and higher cost services in the future, such as children's social care or the criminal justice system.<br><br>Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING   | Troubled Families Programme<br>Early Help Assessment Tool<br>The Children and Young People's Commissioning Plan<br>Families with a Future initiative   | 236                                 | 236                                | —<br><br>G  | Continue to drive forward change across the partnership in relation to whole family working, engagement with the Early Help Assessment Tool process, data exchange and achieving the outcomes required within the Troubled Families Outcomes Plan.   | Siobhan Wallace                  | Alison Botham                       |
| 14     | PEOPLE (IC)<br>COVID-19<br>IRR                            | People                          | SC                            | Strategic Commissioning  | Increased and sustained pressure on Adult Social Care budget due to increased costs of providing care, growing numbers of people and increased complexity of need. As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position.<br><br>Risk Category: Financial<br><br>In light of COVID-19, changes in practice there are currently increased costs in providing services - for example additional PPE and more robust processes around systems of working for providers and infection control. All of these will incur increased cost, for which there is no confirmation of longer term funding. There is uncertainty as to whether the current COVID-19 practices will need to remain long term.  | Real time management information<br>Strong Reablement Offer<br>Established Review Programme<br>Commissioning Intentions and Commissioning Activity to develop new models of care.  | 4416                                | 4416                               | —<br><br>A  | Budget Containment meetings in place<br>Brief providers around risks relating to COVID-19 and infection control and safe system measures.<br>Focus on reviews and reablement to right size packages of care, including focused work on 18 to 64's.<br>Emergency Plan to cover need to prioritise critical services.  | Anna Coles                       | Craig McArdle                       |
| 15     | PEOPLE (IC)<br>COVID-19<br>IRR                            | People                          | SC                            | Strategic Commissioning  | Lack of adult social care workforce and growing fragility of ASC Market leading to inability of Authority to meet statutory duties and meet eligible need.<br><br>Risk Category: Compliance, Regulation, Safeguarding and Financial   | Real time management information<br>Provider Contingency Plans and Mutual Aid Protocol<br>Established Review Programme to release hours<br>Activity Dialogue with Care Market<br>Enhanced risk management process around individual client list.   | 4520                                | 4520                               | —<br><br>R  | Establishment of Community Capacity Command Centre to provide greater oversight of market and capacity<br>Local Authority has set up a Care Company to ensure continuity of provision in the event of market failure<br>Care Home liaison work being undertaken by Livewell Southwest, to increase levels of support to Residential and Nursing care market<br>Risk to be continued to be monitored through contract monitoring and market intelligence<br>Supporting market wide workforce recruitment / retention across residential and domiciliary sector<br>Remodelled bed bureau launched to support Care Homes to manage complex discharge cases<br>Incentive payments to workforce.<br>Managing risk through Winter Strategy for the domiciliary care market   | Anna Coles                       | Craig McArdle                       |

OFFICIAL  
APPENDIX B PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FEBRUARY 2022

| ROW NO | RISK REF       | Directorate                              | Service | DEPT   | DESCRIPTION OF RISK<br>(Risk description should include cause / risk event / consequence and risk category)  | Policies and procedures<br>Link to business plan<br>Delegations of authority / Fraud checks<br>Risk and control framework<br>Performance Management<br>Project Management reviews  | PREVIOUS<br>RESIDUAL<br>RISK RATING |   |    | CURRENT<br>RESIDUAL<br>RISK RATING |   |    | RAG<br>RATING<br>/CHANG<br>E IN<br>RISK<br>RATING | ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN  | RESPONSIBLE<br>OFFICER(S) | DIRECTOR /<br>ASSISTANT<br>DIRECTOR |
|--------|----------------|--|---------|--|--|--|-------------------------------------|---|----|------------------------------------|---|----|---|---|---------------------------|-------------------------------------|
|        |                |  |         |  |  |  | Oct-21                              |   |    | Feb-22                             |   |    |   |   |                           |                                     |
|        |                |  |         |  |  | First Line of Defence (Operational management activity)  | P                                   | I |    | P                                  | I |    |   |   |                           |                                     |
| 16     | PLACE<br>(SPI) | Place                                    | SC      | Strategic<br>Planning<br>&<br>Infrastruct<br>ure | <p>Risk of failing to meet carbon reduction targets to reach net zero by 2030.</p> <p>Plymouth City Council declared a climate emergency in March 2019. The Plymouth Plan was revised in January 2021 to update the strategic objectives and policies to achieve this outcome. The corporate plan, when next revised, will do likewise.</p> <p>The activities of Plymouth City Council only contribute 1% of the total carbon emissions of the city. The environmental consequences of failing to meet the target are difficult to quantify, but a failure to address and minimise our carbon emissions would contribute to some extent to changes in our climate, which include, among others, increased risk of coastal flooding and changes to the weather patterns. Changes to the weather could in turn have financial consequences for the Council as we mitigate against increased flooding, and more frequent storms. Failure to meet corporate targets would impact our reputation and our ability to exercise leadership on this agenda, with, in turn, possibly more consequences on carbon emissions citywide.</p>   | <p>A governance structure is in place to ensure that the city and council climate emergency objectives are led, managed and delivered. Led by the Cabinet member for Environment and Street Services, all key decisions are made by Cabinet and Full Council. The Strategic Director for Place leads the Climate Emergency Board with oversight of the corporate objectives. Management and deliverables are led by the service director for strategic planning and infrastructure. Progress updates on the delivery of the plans are provided 6 monthly. Interim policies and performance monitoring arrangements are in place whilst we tackle the complex task of developing a methodology that will enable us to accurately measure and monitor carbon emissions. In future, the methodology being developed will help to identify any potential risks to achieving the target</p> <p>There are 3 key plans in place to deliver objectives.</p> <p>* The Plymouth Plan specifically Policy GRO7 "Reducing carbon emissions and adapting to climate change", Climate Emergency Action Plan(s) Year 1 and Year 2 (CEAP), Corporate Carbon Reduction Plan(s) Year 1 and Year 2 (CCRP)</p> | 3                                   | 4 | 12 | 3                                  | 4 | 12 | —<br><br>A  | <p>Year 1 action plans have been completed for both CEAP and CCRP.</p> <p>Year 2 action plans for both CEAP and CCRP have been approved by Full Council (January 2021)</p> <p>Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee have received 6 monthly performance updates (October 2020 and March 2021)</p> <p>Year 3 action plans for both CEAP and CCRP are timetabled in to Full Council in January 2022</p>   | Paul Barnard              | Anthony Payne                       |
| 17     | PLACE<br>(SPI) | Place                                    | SS      | Street<br>Services                               | <p><b>Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.</b></p> <p>Whilst the Government have stated that Local Authorities will not bear the cost of the changes the implications for Plymouth specifically are significant with likely changes to collection frequencies; plant, vehicle and machinery requirements; a weekly food waste collection and likely impacts upon existing waste disposal contracts including the Energy from Waste PFI contract. Waste policies and strategy will need to be reviewed to ensure compliance and alongside working with residents, communities and businesses to help manage any changes. A key requirement will also be understanding any resulting waste infrastructure requirements and where possible including appropriate provisions alongside evidence as part of the next iteration of the Plymouth and South West Devon Joint Local Plan scheduled for mid 2022.</p> <p>The Government are required to set out Statutory Instruments detailing the Environmental Bill requirements by Autumn 2022 with an indicative timescale for implementation of requirements by 2023/24.</p> | <p>Joint working group between Street Services &amp; SPI Service Management Teams</p> <p>Increased regional and national collaboration and engagement to improve knowledge sharing across the industry.</p>  | 3                                   | 4 | 12 | 3                                  | 4 | 12 | —<br><br>A  | <p>The Council have partnered with the Waste Industry body WRAP to jointly commission external support to assess the likely impacts and opportunities of the Environment Bill. The funding for this work has been wholly met by DEFRA. the procurement of this work will complete by November 2021 with a final report due in March 2022. The scope of the work is as follows:</p> <ul style="list-style-type: none"><li>• To understand the implications of, and ensure the Council meets the Government's requirements as proposed in the Resources &amp; Waste Strategy;</li><li>• To help inform the future design of the Council's household waste collection service and understand the implications in terms of reprocessing infrastructure;</li><li>• To understand the likely impact that changes to the current household waste collection service will have on the Council's recycling performance;</li><li>• To consider where operational efficiencies can be achieved whilst still delivering a service which meets the needs of its residents and allows the Council to maintain high levels of customer satisfaction, and;.</li><li>• To appraise whether existing waste management infrastructure and assets in Plymouth, and the surrounding area, are likely to be sufficient for future requirements; and if they deemed not to be then to provide options to inform the Council's waste strategy and spatial planning.</li></ul> | Philip Robinson           | Anthony Payne                       |
| 18     | CDS            | Corporate<br>and<br>customer<br>services | DCS     | DCS  | <p><b>A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.</b></p>  | <p>IT Security Policy current and adhered to</p> <p>Business Continuity plans tested and fit for purpose</p> <p>IT Infrastructure patched to current levels</p> <p>All IT providers assessed regularly</p> <p>All connected partners / Suppliers assessed and accredited</p>   |                                     |   |    | 4                                  | 5 | 20 | (New in<br>January<br>2022)<br>R                  | <p>Conduct Business continuity exercise to test resilience against a number of scenarios to enable learning for development of improved business continuity plan. Working alongside DELT to implement regular testing and reporting of cyber-attacks and vulnerabilities.</p>   | John Finch                | Andy Ralphs                         |
| 19     | HROD<br>(CCS)  | CCS                                      | HROD    | HROD   | <p><b>Staff resilience to causative factors of stress variable resulting in the primary reason for short and long term absences being due to stress / psychological factors; reduced morale, loss of productivity with impact on delivery; financial loss due to need to engage agency staff to cover and legal requirement to assess risk and make reasonable adjustments / remedial actions</b></p> <p><b>Health and Safety at Work Act 1974 and Management of Health and Safety at Work Regulations (1999)</b></p> <p><b>Risk Category: Compliance, Regulation and Safeguarding</b></p>   | <p>Corporate wellbeing and resilience survey undertaken in Aug 2018 and results triangulated with other relevant data; priorities for action identified from analysis and all service areas required to have action plans in place to deliver as part of their business plans for 2019/20.</p> <p>Individual stress and resilience risk assessments part of BAU.</p> <p>Wellbeing and resilience training available as part of scheduled programme of HSW training.</p> <p>Contract for PAM Assist EAP renegotiated to all-inclusive to protect anonymity of staff accessing service.</p> <p>ERS advice and support in individual cases where other HR processes have been applied. 31 Wellbeing Champions across the organisation as 1st line of support to colleagues and driving a program of PH initiatives.</p>   |                                     |   |    | 4                                  | 3 | 12 | A   | <p>Corporate wellbeing and resilience survey undertaken in Aug 2018 and results triangulated with other relevant data; priorities for action identified from analysis and all service areas required to have action plans in place to deliver as part of their business plans for 2019/20.</p> <p>Individual stress and resilience risk assessments part of BAU.</p> <p>Wellbeing and resilience training available as part of scheduled programme of HSW training.</p> <p>Contract for PAM Assist EAP renegotiated to all-inclusive to protect anonymity of staff accessing service.</p> <p>ERS advice and support in individual cases where other HR processes have been applied. 31 Wellbeing Champions across the organisation as 1st line of support to colleagues and driving a program of PH initiatives.</p>  | Kim Brown                 | Andy Ralphs                         |

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# Audit and Governance Committee

Draft Work Programme 2021 - 2022



**Please note that the work programme is a 'live' document and subject to change at short notice.**

For general enquiries relating to the Audit and Governance Committee, including this Committee's work programme, please contact Helen Rickman, Democratic Advisor on 01752 398444.

| Date of meeting         | Agenda item                                     | Responsible Officer | Reason for consideration  |
|-------------------------|---|---------------------|---|
| <b>29 November 2021</b> | Internal Audit Half Year Report                 | Brenda Davis        | Half year report updating Members on a position statement on the audit work carried out since April 2021.   |
|                         | Counter Fraud Services Half Year Report 2021-22 | Ken Johnston        | Half year report to summarise the work carried out during the first 6 months of 2021/22 by the Counter Fraud Services Team.   |
|                         | Treasury Management Strategy 2022/23            | Chris Flower        | To set out the Treasury Management Strategy for 2022/23 and include the Annual Investment Strategy, the Non-Treasury Management Investment Strategy and the Minimum Revenue Provision Statement.                |
|                         | Capital Finance Strategy 2022/23                | Chris Flower        | To set out the Capital Financing Strategy for 2022/23 (this is a requirement of The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services.) |
|                         | Executive Decisions Governance Route            | Ross Jago           | To consider additional guidance, relating to the governance applied to key decision making, which had been developed in line with recommendations made by the external auditors.                                |

| Date of meeting | Agenda item  | Responsible Officer                      | Reason for consideration   |
|-----------------|--|--|--|
|                 | Working Group Update: Terms of Reference Review                | Ross Jago                                | To provide an update on the working group which was set up to discuss the committee's terms of reference.  |
|                 | Grant Thornton Audit Progress Report                           | Geri Daly/ Paul Dossett (Grant Thornton) | To consider the Audit Progress Report from the Council's external auditor, Grant Thornton.   |
|                 | Grant Thornton - Audit Plan 2020/21                            | Geri Daly/ Paul Dossett (Grant Thornton) | To consider the Audit Plan Report from the Council's external auditor, Grant Thornton.   |
|                 | Health & Wellbeing Board change to terms of reference          | Ross Jago                                | To consider the change to the terms of reference of the Health & Wellbeing Board.  |
|                 | Tamar Bridge and Torpoint Ferry – change to terms of reference | Ross Jago/ Adrian Trim                   | To consider the change to the terms of reference of the Tamar Bridge and Torpoint Ferry Joint Committee  |
|                 | Audit Actions Review   | Paul Looby                               | To provide the Committee with an update on the tracking of Audit recommendations from Grant Thornton and Devon Audit Partnership.  |
|                 | Risk and Opportunity Management Strategy 2020-2022             | Andrew Loton                             | The Risk Management Strategy outlined the approach to Risk Management and was refreshed annually. The Strategy covered the period 2020 to 2022.  |
|                 | Risk Management Monitoring Report                              | Andrew Loton                             | To receive an update on both the Strategic and Operational Risk registers for the organisation. The register offers additional information including detail on Key Controls and Sources of Assurance and how progress against mitigation will be measured. |
|                 |  |  |  |

| Date of meeting                             | Agenda item   | Responsible Officer           | Reason for consideration   |
|---|---|-------------------------------|--|
| <b>Additional Meeting – 14 January 2022</b> | Working Group Update: Terms of Reference Review       | Ross Jago                     | To provide an update on the working group which was set up to discuss the committee's terms of reference.                |
|   | Appointment of External Auditor: Procurement Route    | Brendan Arnold                | To consider a report on the appointment of the External Auditor – procurement route                                      |
|   |   |                               |  |
| <b>28 March 2022</b>                        | Health & Wellbeing Board change to terms of reference | Ross Jago                     | To consider the change to the terms of reference of the Health & Wellbeing Board.<br><i>To be added to the Sub Group</i> |
|   | 2022/23 Internal Audit Plan                           | Brenda Davis                  |  |
|   | Member Development                                    | Ross Jago                     | To agree the programme of member development for the following municipal year.<br><i>To be added to the Sub Group</i>    |
|   | Treasury Management Practices and Principles          | David Northey                 | A review produced annually of practices and principles used to conduct TM activities.                                    |
|   | External Audit Progress Report                        | Paul Dossett (Grant Thornton) |  |
|   | Final Accounts 19/20                                  | Paul Looby/ Carolyn Haynes    |  |
|   | Risk & Opportunity Management Monitoring Report       | Andrew Loton                  |  |
|   | Audit Actions Review                                  | Paul Looby                    |  |
|   | Outside Body Review                                   | Ross Jago                     | <i>To be added to the Sub Group</i>  |

| Date of meeting | Agenda item  | Responsible Officer | Reason for consideration |
|-----------------|--|---------------------|--------------------------|
|                 | Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA) | John Finch          |                          |
|                 |  |                     |                          |