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24 November 2021

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the Council Chamber at these Offices on Thursday 2 December 2021 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Jemma Duffield on (01304) 872305 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicky', written over a white background.

Chief Executive

Governance Committee Membership:

D Hannent (Chairman)
S S Chandler (Vice-Chairman)
S H Beer
D A Hawkes
S J Jones
P D Jull
P Walker

AGENDA

- 1 **APOLOGIES**
To receive any apologies for absence.
- 2 **APPOINTMENT OF SUBSTITUTE MEMBERS**
To note appointments of Substitute Members.
- 3 **DECLARATIONS OF INTEREST** (Page 4)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **MINUTES** (Pages 5 - 7)

To confirm the attached Minutes of the meeting of the Committee held on 30 September 2021.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 8 - 24)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

6 **TREASURY MANAGEMENT QUARTER TWO 2021/22 REPORT** (Pages 25 - 43)

To consider the attached report of the Head of Finance and Investment.

7 **ANNUAL COMPLAINTS REPORT** (Pages 44 - 46)

To consider the attached report of the Democratic and Corporate Services Manager.

8 **CORPORATE RISK REGISTER**

To consider the report of the Democratic and Corporate Services Manager (to follow).

9 **PARENTAL LEAVE POLICY FOR COUNCILLORS** (Pages 47 - 53)

To consider the attached report of the Democratic and Corporate Services Manager.

10 **REVIEW OF THE CONSTITUTION**

To consider the report of the Monitoring Officer (to follow).

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is step free access via the Council Chamber entrance and an accessible toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
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The meetings in which these cameras will be used include meetings of: (a) Council; (b) Cabinet; (c) General Purposes Committee; (d) Governance Committee; (e) Planning Committee; and (f) Overview and Scrutiny Committee.

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Large print copies of this agenda can be supplied on request.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 30 September 2021 at 6.00 pm.

Present:

Chairman: Councillor D Hannent

Councillors: S S Chandler
S H Beer
D A Hawkes
S J Jones
P D Jull
P Walker

Officers: Head of Finance and Investment
Head of Governance and HR
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Accountant (Capital and Treasury)
Democratic Services Officer

1 APOLOGIES

There were no apologies for absence received from Members.

2 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members appointed.

3 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

4 MINUTES

Subject to an amendment to the resolution at (a) and (b) of agenda item six to read 'note' the Minutes of the meeting held on 29 July 2021 were approved as a correct record for signing by the Chairman.

5 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) (EKAP) introduced the Quarterly Internal Audit Update report to the Committee which provided a summary of the work completed by the EKAP to 31 August 2021.

There had been one internal audit assignment completed during the period since the last meeting of the Committee in July. EKAP were pleased to report the significant increase in assurance levels for Tenant Health & Safety, which was concluded Reasonable assurance overall. Of the eight areas within the service tested, four areas received substantial assurance and three reasonable assurance. Lifts were concluded as receiving no assurance as there hadn't been suitable supervision of the lifts (of which there were six within the district) maintenance. This had been raised with officers and the lift maintenance contractor to rectify the defects and EKAP were confident these would be controlled quickly.

Up to 31 August 2021, 57% of the audit plan had been completed, which was significantly ahead of schedule. It was expected that by March 2022, 99% of the plan would be completed.

RESOLVED: That the Quarterly Internal Audit Update report and the significant improvements in the housing service be noted.

6 TREASURY MANAGEMENT YEAR END REPORT 2020/21

The Head of Finance and Investment presented the Treasury Management Year End report 2020/21 to the Committee. The report provided details of the Council's treasury management for the year ended 31 March 2021. A summary of the report provided Members with details of the Council's investment return, which for the period to March was 2.61% which outperformed the benchmark by 2.58%. An update to the report was provided that corrected the total interest and dividends income received for the year to £1,615k, which was £135k less than the original budget estimate.

A question was raised concerning the recent fine imposed on Grant Thornton and in response the Head of Finance and Investment advised that Grant Thornton's public sector work was separate from its private sector work. The Council did not have any concerns at this time with Grant Thornton being our auditor.

Members discussed the arrangements for project management and were advised that while officers were responsible for the implementation of projects, Members were responsible for all decisions in respect of the projects that were not delegated to officers.

The Head of Finance and Investment advised in response to questions concerning the Council's investment arrangements that the council was working with Arlingclose to review its investment portfolio. The finance team managed investments on a week-to-week basis. The Council did not have an ethical investment policy, but it would review ethical investment opportunities in consultation with Arlingclose.

RESOLVED: That the Treasury Management Year End Report 2020/21 be received and noted.

7 TREASURY MANAGEMENT REPORT QUARTER ONE 2021/22

The Head of Finance and Investment presented the Treasury Management Quarter One 2021/22 report to the Committee. Members were advised the Council's investment return for the period to 30 June was 2.18% and had remained within its Treasury Management guidelines and complied with the Prudential Code guidelines during the period.

RESOLVED: That the Treasury Management Quarter One 2021/22 report be noted.

8 2020/21 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Head of Governance and HR introduced the 2020/21 Annual Governance Assurance Statement (AGAS) to the Committee. The Council was required to review its systems of internal control and processes annually and Members were

asked to accept the AGAS alongside the 2020/21 Accounts, which were now required to be approved by 30 September 2021, later than normal due to the Covid-19 pandemic.

Members were directed to the report and the significant issues and improvements during the year, which included significant concerns over the performance of East Kent Housing and, that after consultation, led to the management of the Council's housing stock being brought back in house. The shared HR service had been dissolved and was brought back in house on 1 September 2021.

Members discussed the State of the District report that had previously been produced annually and had proved useful to councillors. Since it had become a rolling report, and only reporting changes at ad-hoc periods, Members were keen for the annual report to be re-instated. The Head of Governance and HR would raise this with the Head of Leadership Support, who was responsible for the production of the report.

- RESOLVED:
- (a) That the Governance Committee accept the Annual Governance Assurance Statement alongside the 2020/21 Statement of Accounts.
 - (b) That the Head of Leadership Support be advised of the request of the Governance Committee for the State of the District report to be re-instated and produced annually.

The meeting ended at 6.41 pm.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 2nd December 2021

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2021

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been four internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition four follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the six-month period to 30th September 2021, 184.78 chargeable days were delivered against the target of 300, which equates to 61.59% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2020-21 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2021-22 - Previously presented to and approved at the 11th March 2021 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2021.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	EKHR - Payroll	Substantial	C H M L	0 0 0 2
2.2	Officers' Code of Conduct	Reasonable	C H M L	0 0 3 0
2.3	EKS – Software Licensing	Reasonable/Limited	C H M L	1 1 1 1
2.4	Licensing	Reasonable	C H M L	0 1 4 3

2.1 EKHR; Payroll – Substantial Assurance

2.1.1 Audit Scope

To ensure that the payroll service administered by EKHR on behalf of Canterbury, Dover and Thanet Councils, including EK Services is adequately controlled to ensure that the right people are getting paid the right amounts at the right time and all the relevant data held is accurate.

2.1.2 Summary of Findings

Payroll is administered by East Kent Human Resources on behalf of Thanet, Canterbury & Dover Councils in addition to EK Services. In a typical month the Payroll processes payments for the following number of officers for each Council:

- Dover District Council - 442 individuals;
- Canterbury City Council - 556 individuals;
- Thanet District Council & EK Services - 536 individuals.

Using the masterfile and pay element data this review sought to interrogate the significant volume of data looking for errors and/ or inconsistencies in standing data and payments that require further investigation such as tax codes, national insurance numbers and deductions; and salary bandings.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The embedded payroll routines and processes continue to operate effectively;
- Officer standing data such as tax codes, NINOs and salary grades are accurate and valid; and
- Controls are in place to prevent unauthorised payments.

Scope for improvement was however identified in the following areas:

- A minor salary grading inaccuracy is included in the data available to officers on the EKH Intranet; (now no longer relevant) and
- A sundry debtor account may not always be raised when recovering any salary overpayment.

2.2 Officers' Code of Conduct – Reasonable Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the highest standards of officer conduct and probity are maintained.

2.2.2 Summary of Findings

The aim of a Code of Conduct is to set guidelines for Council employees which will help maintain and improve standards and protect employees from criticism or misunderstanding; whilst assisting in the protection of the public purse. This Code should provide guidance to assist the Council and its officers in their day to day work and set out the minimum standards of behaviour expected based on the seven principles of public life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The Employee Handbook, Code of Conduct for Employees and suite of key associated policies covers the standards of behaviour, impartiality and conflicts of interest.
- The Code of Conduct for Employees has been appropriately approved.

- The Code and associated policies were advised to staff when launched.
- There is an induction process that managers should implement as part of the recruitment process for new employees; if it is followed and documented correctly, this should raise awareness of officers' responsibilities under the Code of Conduct.
- Gifts and hospitality are actively being declared across all Directorates as far as can be ascertained.
- Protocols are in place to ensure the integrity of hiring employees related to existing members of staff.

Scope for improvement was however identified in the following areas:

- The Council is bringing the HR function back in house later this year and this provides an opportunity to review the staff induction process.
- Some former staff declarations are being held marginally longer than the stated retention period.
- Management are aware that the list of Politically Restricted Posts is in need of review and updating and are in the process of remedying this.

2.3 EKS; ICT Software Licensing – Reasonable/Limited Assurance

2.3.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient and secure ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being the administration of the software licencing of the ICT applications on behalf of the partners.

2.3.2 Summary of Findings

Software Licenses is a complicated and difficult area to manage and control particularly across a shared service because there is always a risk in gaps of responsibility in respect of good software license management and information being kept up to date that can also assist with other aspects of service delivery (i.e. Business Continuity).

Management can place a Limited / Reasonable Assurance on the system of internal controls in operation. Limited Assurance for the documentation of the applications purchased and the numbers of licences held and Reasonable Assurance for the control over the installation of new software on the networks.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- A central list of all software and relevant licenses is not held. Such a list should be maintained, and kept up to date, for each authority and be available for operational and Business Continuity purposes. There are internal and external risks for not maintaining such records.
- Previous audit reviews have highlighted this requirement, and different solutions from bespoke software to simple spreadsheets have been agreed as actions but not yet implemented.
- Discussions should be held between ICT and each authority agreeing the allocation of responsibility for software licenses, and then the ICT Catalogue should be updated to reflect the agreed roles and what actions will be taken. This

should also take into account the required role of ICT for cloud based systems in the future.

Effective control was however evidenced in the following areas giving rise to the Reasonable Assurance:

- ICT have put in place controls to restrict laptops to prevent illegal software being downloaded by staff across the three authorities. The laptops have been set up in such a way that only those staff (i.e. within ICT) with administration rights are able to install and configure software onto laptops.
- Sophos Anti-virus software is used to continuously scan the network and devices connected to the network for unrecognised software. Sophos is set up so that if any software is detected a notification is sent to key officers within EK Services ICT.

2.4 Licensing – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that licences are issued correctly to applicants who qualify for the various licensing categories, that information is recorded accurately and the income receivable by the Council is collected correctly and on a timely basis in line with the procedures laid down.

2.4.2 Summary of Findings

Dover District Council has responsibilities as the licensing authority under the Licensing Act 2003 and the Gambling Act 2005 to promote objectives relating to the prevention of crime and disorder, public safety; the prevention of public nuisance; ensuring that gambling is conducted in a fair and open way, and the protection of children and other vulnerable persons from being harmed or exploited by gambling.

The Council is also responsible for administering taxi and private hire vehicle licenses in accordance with Taxi and Private Hire Vehicle (PHV) legislation concentrated within the Town Police Clauses Act 1847 (the 1847 Act) and the Local Government (Miscellaneous Provisions) Act 1976 (the 1976 Act). Below is a summary of active licenses in the district that are managed through Regulatory Services: -

Premises Licenses (Licensing Act 2003)	383
Personal Licenses (Licensing Act 2003)	1,987
Club Premises Certificates	9
Adult Gaming Centres	5
Gaming Machines	72
Betting Premises	7
Bingo Hall	1
Club Machine Permit	1
Lotteries	61
Hackney Carriage Vehicle Licenses	67
Private Hire Vehicle Licenses	104

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Despite the disruption of Covid-19, the service has adapted well to the change in volume and nature of licensing queries and enquiries;
- The Licensing service is operating in compliance with the Licensing Act 2003, the Gambling Act 2005, the Town Police Clauses Act 1847 (the 1847 Act) and the Local Government (Miscellaneous Provisions) Act 1976 (the 1976 Act);
- There is a very comprehensive suite of procedures in place;
- Income collection processes are operating effectively;
- Alcohol and gambling licensing fees and charges are being correctly administered; and
- There are adequate performance indicators in place which are sufficiently monitored by management.

Scope for improvement was however identified in the following areas:

- Three of the main licensing policies in place need to be either updated, amended or reviewed;
- There are eight annual lottery returns that are outstanding and require chasing;
- All policies and procedures should contain the date they were approved and reviewed to ensure compliance audits can be undertaken either by internal audit or by management;
- Some of the fees and charges for taxi licensing listed on the Council website are not in accordance with the approved fees and charges.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	CCTV	Substantial	Substantial	C	0	C	0
				H	2	H	0
				M	6	M	0
				L	3	L	0
b)	Let Commercial Properties and Concessions	Reasonable	Reasonable	C	0	C	0
				H	1	H	0
				M	1	M	1
				L	3	L	1
c)	Dover Leisure Centre – Project PIR	N/A	N/A	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	3	L	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
d)	Planning Enforcement	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	2	M	0
				L	3	L	1

- 3.2 Details of each of any individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee – None this quarter.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings Climate Change, Capital, Tenancy & Estate Management, Playgrounds, and CSO Compliance.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2021-22 Audit plan was agreed by Members at the meeting of this Committee on 11th March 2021.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Strategic Director (Corporate Resources) - Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high-profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3. As a result of the HR service being brought back in house, the DDC Audit Plan has been increased by 10 days.

6.0 FRAUD AND CORRUPTION:

- 6.1 Apart from some working in respect of possible grant frauds, there have been no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the six-month period to 30th September 2021, 184.78 chargeable days were delivered against the target of 300, which equates to 61.59% plan completion.

- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 Thee EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

Attachments

Annex 1	Summary of High priority recommendations outstanding after follow-up.
Annex 2	Summary of services with Limited / No Assurances yet to be followed up.
Annex 3	Progress to 30 th September 2021 against the agreed 2020/21 Audit Plan.
Annex 4	Balanced Scorecard of performance indicators to 30 th September 2021.
Annex 5	Assurance Statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>None this Quarter</i>		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
EKHR – Disclosure & Barring Service Checks	November 2020	Limited	WIP
EKS – ICT Software Licensing	December 2021	Reasonable/Limited	Winter/Spring 2022

PROGRESS AGAINST THE AGREED 2021-22 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2021	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	10	10	5.87	Work-in-Progress
Creditors & CIS	10	10	0.18	Quarter 3
External Funding Protocol	10	10	0.18	Quarter 3
Main Accounting System	10	10	0.18	Quarter 3
Budgetary Control	10	10	0.18	Quarter 3
HOUSING SYSTEMS:				
Repairs & Maintenance	15	15	0	Quarter 4
Tenant H&S	10	10	0	Quarter 4
Rechargeable Works	10	10	0	Quarter 2
Tenancy & Estate Mgmt.	10	10	1.12	Work-in-Progress
HR SYSTEMS:				
Recruitment (Starters and Leavers)	0	10	0	Quarter 4
GOVERNANCE RELATED:				
Cloud Computing/Digital	10	10	1	Brief issued
Officers Code of Conduct	10	10	10.67	Finalised – Substantial
Project Management	10	0	0	Postponed to accommodate unplanned work
Corporate Advice/CMT	2	2	1.22	Work-in-Progress
s.151 Meetings and support	9	9	8.75	Work-in-Progress
Governance Committee Meetings and Reports	12	12	7.40	Work-in-Progress
2022-23 Audit Plan Preparation and Meetings	9	9	1.15	Quarter 4
POST IMPLEMENTATION REVIEWS:				
Ottaway House	10	10	10.63	Finalised – N/A
Main Accounting System (Tech 1)	5	5	0	Quarter 3
CONTRACT AUDITS:				
CSO Compliance	13	13	13.64	Work-in-Progress
Service Contract Mgmt.	10	0	0	Postponed to accommodate staff related matter

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2021	Status and Assurance Level
SERVICE LEVEL:				
Climate Change	10	10	2.59	Work-in-Progress
CCTV	10	10	10.61	Finalised - Substantial
Contaminated Land, Air & Water Quality	10	10	2.58	Brief issued – Quarter 3
Grounds Maintenance	12	12	0.32	Brief issued
Licensing	12	12	13.24	Finalised - Reasonable
Phones, Mobiles & Utilities	10	0	0.37	Postponed to accommodate Homes England Grant Certification
Garden Waste & Recycling Income	10	10	0.18	Quarter 3
OTHER				
Liaison with External Auditors	1	1	0	Work-in-Progress
Follow-up Work	15	15	0	Work-in-Progress
FINALISATION OF 2020-21- AUDITS				
Environmental Health Protection Requests	5	5	1.39	Finalised - Substantial
Treasury Management			0.38	Finalised - Substantial
Land Charges			10.68	Finalised - Reasonable
Playgrounds			12.49	Finalised - Reasonable
Housing Regulator Review			20.26	Finalised - Reasonable
Planning Enforcement			10.11	Finalised - Reasonable
Responsive Work:				
HRA Properties Data Match	0	3	2.69	Finalised
Staff Related Matter	0	10	10.35	Finalised
Tech One Assistance	0	0	1.69	Finalised
Lessons Learned Review	0	5	5.16	Finalised
Exit Interview Investigation	0	2	1.28	Finalised
Homes England Grant Certification	0	10	9.98	Finalised
TOTAL	290	300	184.78	61.59% as at 30th September 2021

(Note - From 1st September EKHR has been taken back in house and the DDC plan has increased by 10 days)

EKS & CIVICA:

Review	Original Planned Days	Revised Planned Days	Actual days to 30/09/2021	Status and Assurance Level
EKS Reviews;				
Council Tax	15	15	-	Quarter 3
Housing Benefit Testing	15	15	4.90	Work in progress
Housing Benefit Payments	15	15	1.15	Work in progress
Customer Services	15	0	-	Deferred
ICT – Change Controls / Updates	15	15	0.20	Quarter 3
ICT – Procurement & Disposal	15	15	-	Quarter 4
KPIs	5	5	0.24	Quarter 4
EKHR Reviews;				
Payroll	15	15	16.42	Finalised - Substantial
EKHR Employee Allowances/Expense	15	0	-	Returned in house from 01/09/21
EKHR Recruitment / Leavers	15	0	0.20	Returned in house from 01/09/21
Other;				
Corporate/Committee	10	8	4.25	Ongoing
Follow Up	5	3	-	Ongoing
Housing Benefit Verification Framework	0	1	0.95	Finalised – N/A
Restart Grants	0	6	6.05	Finalised - N/A
Finalisation of 2020/21 Audits:				
ICT Disaster Recovery	5		0.35	Finalised - Reasonable
Housing Benefit Testing 2020/21		15	5.45	Finalised – N/A
ICT Software Licensing			9.63	Finalised - Reasonable / Ltd
Total	160	128	49.79	38.90%

(Note - From 1st September EKHR has been taken back in house by the three partner councils and the EKS plan has reduced by 32 days)

EKAP Balanced Score Card 2020-21

Quarter 2

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Original Budget</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	90%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£356.35
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£459,443
CCC	45.00%	50%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£10,945
DDC	61.59%	50%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	43.71%	50%			
FHDC	49.20%	50%			
EKS	38.89%	50%			
Overall	48.97%	50%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 		£470,388
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	34	-			
<ul style="list-style-type: none"> • Not yet due 	22	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	16	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>
	Quarter 2		Quarter 2		
Number of Satisfaction Questionnaires Issued;	32		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	14		Percentage of staff holding a relevant higher level qualification	39%	39%
	= 44%		Percentage of staff studying for a relevant professional qualification	15%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	2.10	3.5
• Interviews were conducted in a professional manner	93%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	39%	39%
• The audit report was 'Good' or better	100%	90%			
• That the audit was worthwhile.	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

Subject:	TREASURY MANAGEMENT QUARTER TWO REPORT 2021/22
Meeting and Date:	Governance Committee – 2 December 2021 Cabinet – 6 December 2021
Report of:	Helen Lamb – Head of Finance and Investment
Portfolio Holder:	Councillor Christopher Vinson – Portfolio Holder for Finance and Governance
Decision Type:	Non-Key Decision
Classification:	Unrestricted

Purpose of the report:	To provide details of the Council's treasury management for the year ended 30 September 2021.
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Recommendation:	That the report is received.
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1. Summary

- 1.1 The Council's investment return for the period to 30 September was 2.60% (annualised), which outperformed the benchmark¹ by 2.55%. The total interest and dividends income forecast to be received for the year is £1,560k as of 30 September, which is £190k less than the original budget estimate of £1,750k. The long-term investments have been generating a reasonable income return considering the impact of the global pandemic.
- 1.2 The Council remained within its Treasury Management guidelines and complied with the Prudential Code guidelines during the period.

2. Introduction and Background

- 2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011; it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.
- 2.2 Council adopted the 2021/22 Treasury Management Strategy (TMS) on 3rd March 2021 as part of the 2021/22 Budget and Medium-Term Financial Plan.
- 2.3 To comply with the CIPFA code referred to above, a brief summary is provided below, and Appendix 1 contains a full report from the Council's Treasury Management Advisors, Arlingclose.
- 2.4 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim. Treasury advisors

¹ The "benchmark" is the interest rate against which performance is assessed. DDC use the 3 month London Inter-Bank Bid Rate or LIBID, as its benchmark, which was 0.05 at the end of the quarter.

generally use a more journalistic style than is used by our officers, but to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

3. Economic Background

- 3.1 The report attached (Appendix 1) contains information up to the end of September 2021; since then we have received the following update from Arlingclose (in italics). Please note that any of their references to quarters are based on *calendar* years:

“Main points since September:

- i. The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.*
- ii. While Q 2 UK GDP expanded more quickly than initially thought, the pandemic and more latterly supply disruption will leave Q 3 GDP broadly stagnant. The outlook also appears weaker Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.*
- iii. Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020 are expected to unwind over time, the MPC² has recently communicated fears that these transitory factors will feed longer term inflation expectations that require tighter monetary policy to control This has driven interest rate expectations substantially higher.*
- iv. The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations It is uncertain whether a broad based increased in wages is possible given the pressures on businesses.*
- v. Government bond yields increased sharply following the September FOMC³ and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data Bond investors expect higher near term interest rates but are also clearly uncertain about central bank policy.*
- vi. The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.*

² Monetary Policy Committee

³ Federal Open Market Committee

- vii. *Arlingclose expects Bank Rate to rise in Q 2 2022 We believe this is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure Given the current outlook, we believe this could be a policy mistake.*
- viii. *Investors have priced in multiple rises in Bank Rate to 1 by 2024 While we believe Bank Rate will rise, it is by a lesser extent than expected by markets.*
- ix. *Gilt yields have risen sharply as investors factor in higher interest rate and inflation expectations. From here, we believe that gilt yields will be broadly steady, before falling as inflation decreases and market expectations fall into line with our forecast.*
- x. *The risk around our forecasts for Bank Rate is to the upside over the next few months, shifting to the downside in the medium term. The risks around the gilt yield forecasts are initially broadly balanced, shifting to the downside later."*

4. Annual Investment Strategy

- 4.1 The investment portfolio, as at the end of September 2021, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £58.8m, increasing to £62.5m at the end of October. The increase reflects normal cashflow fluctuations arising from the timing of 'major preceptor' payments, which are made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline.
- 4.2 As at 30th September 2021, the Council's investment portfolio totalled £50m (see Appendix 2). Cashflow funds were higher than anticipated (£8.8m at 30 September 2021).
- 4.3 Cashflow funds have since increased (to £12.5m at 31 October 2021) due to normal cashflow fluctuations. Short term borrowing will be used to cover fluctuations in the cash flow requirements as needed, instead of holding excess funds in call accounts.

5. New Borrowing

- 5.1 The Council's borrowing portfolio is attached at Appendix 3. At the end of September 2021, the Council had £11 million in short term loans with other Local Authorities as part of the Council's strategic cash management objectives.

6. Debt Rescheduling

- 6.1 At this time, it is not considered of benefit to the Council to undertake any further rescheduling of its long-term debt.

7. Compliance with Treasury and Prudential Limits

- 7.1 The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices.

8. Climate Change and Environmental Implications

- 8.1 There are no climate change or environmental implications.

9. **Corporate Implications**

9.1 Comment from the Section 151 Officer: Finance have produced this report and have no further comments to add. (DL)

9.2 Comment from the Solicitor to the Council:

9.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

10. **Appendices**

Appendix 1 – Arlingclose Treasury Management Report for quarter one 2021/22

Appendix 2 – Investment portfolio as at 30 September 2021

Appendix 3 – Borrowing portfolio as at 30 September 2021

Appendix 4 – Investment portfolio as at 31 October 2021

11. **Background Papers**

Medium Term Financial Plan 2021/22 – 2024/25

Contact Officer: Dani Loxton, extension 2285

Treasury Management Outturn Report Q2 2021/22

Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.

The Authority's treasury management strategy for 2021/22 was approved at a meeting on 3rd March 2021. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 3rd March 2021.

External Context

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods

prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

Local Context

On 31st March 2021, the Authority had net borrowing of £34.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.21 Actual £000
General Fund CFR	65,267
HRA CFR	73,726
Total CFR	138,993
Less: Usable reserves	(90,805)
Less: Working capital	(13,875)
Net borrowing	34,313

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.

The treasury management position on 30th September 2021 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £000	Movement £000	30.9.21 Balance £000	30.9.21 Rate %
Long-term borrowing	73,187	1,232	74,419	
Short-term borrowing	18,443	(7,443)	11,000	
Total borrowing	91,631		85,419	3.46%
Long-term investments	49,549	451	50,000	

Short-term investments	4	0	4	
Cash and cash equivalents	7,765	1,072	8,837	
Total investments	57,318	1,523	58,841	2.60%
Net borrowing	34,313		26,578	

Borrowing Update

Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase ‘investment assets primarily for yield’ in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB

Revised PWLB Guidance

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an ‘investment asset primarily for yield’. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an ‘investment asset primarily for yield’.
- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8th September 2021

The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum

interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

Municipal Bonds Agency (MBA): The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

UK Infrastructure Bank: £4bn has been earmarked for of lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.

Borrowing Strategy during the period

At 30th September 2021 the Authority held £85.4m of loans, a decrease of £6.2m 31st March 2021, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.21 Balance £000	Net Movement £000	30.9.21 Balance £000
Public Works Loan Board	75,631	(1,212)	74,419
Local authorities (short-term)	16,000	(5,000)	11,000
Total borrowing	91,631	(6,212)	85,419

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

In keeping with these objectives, no new long borrowing was undertaken. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

With short-term interest rates remaining much lower than long-term rates and with surplus of liquidity continuing to feature in the LA to LA market, the Authority considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead. The net movement in temporary / short-term loans is shown in table 3 above.

PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below

Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £53m and £63m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.21 Balance £000	Net Movement £000	30.9.21 Balance £000	30.9.21 Income Return %
Banks & building societies (unsecured)	7,764	(1,277)	6,487	0.10%
Money Market Funds	5	2,349	2,354	0.01%
Other Pooled Funds				
- <i>Short-dated bond funds</i>	8,032	(32)	8,000	
- <i>Strategic bond funds</i>	8,386	(386)	8,000	
- <i>Property funds</i>	5,585	415	6,000	
- <i>Multi asset income funds</i>	27,546	454	28,000	
Other Pooled funds Sub-total	49,549	451	50,000	3.49%
Total investments	57,318	1,523	58,841	

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Ultra low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

Given the continuing risk and low returns from short-term unsecured bank investments, the Authority has diversified into more secure and/or higher yielding asset classes as shown in table 4 above. £50m that is available for longer-term investment is available for longer-term investment is held in pooled investment funds.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2021	5.33	A+	100%	1	3.01%
30.09.2021	5.24	A+	100%	1	6.62%
Similar LAs	4.66	A+	69%	32	3.65%
All LAs	4.69	A+	69%	10	2.35%

Externally Managed Pooled Funds: £50m of the Authority’s investments are held in externally managed strategic pooled bond, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 8.22%, comprising a 2.67% income return which is used to support services in year, and 5.55% of capital growth

The Authority is invested in bond, multi-asset and property funds. The improved market sentiment in the past 6 months is reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority’s property and multi-asset income funds in the Authority’s portfolio. The prospect of higher inflation and rising bond yields resulted in muted bond fund performance. The change in capital values and income earned is shown in Table 4.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

The Authority has budgeted £1,750k income from these investments in 2021/22. Income received to 30 September was £802k.

Non-Treasury Investments

The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

Following the approval of the Property Investment Strategy in November 2016, work continues to identify and progress suitable investments to deliver economic regeneration and to generate additional income streams for the future. Additionally, the Housing Development team continues to work on a number of residential developments both utilising DDC owned properties and land, as well as with external developers.

The 2021/22 budget includes a forecast of total income (rent and service charges) of £1.94m. Costs including management costs, minimum revenue provision and long term borrowing of £1.30m are forecast resulting in retained income for the General Fund of £640k.

Treasury Performance

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £m	Budget £m	Over/ under	Actual %	Benchmark %	Over/ under
Interest Received	1,560	1,750	(190)	2.60%	0.05%	2.55%
Interest Payable	2,521	2,521	0	3.46%	3.46%	0

Compliance

The Strategic Director of Corporate Resources reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	30.9.21 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied?
Borrowing	£85.4m	£333m	338.5m	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	30.9.21 Actual	2021/22 Limit	Complied?
Local authorities & other government entities	0	unlimited	✓
Banks (unsecured)	<1m	£8m per bank	✓
Any group of pooled funds under the same management (limits per manager)	0	£16m per group	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
Building societies (unsecured)	0	£8m	✓
Money market funds	£2.4m	£10m per fund	✓
Strategic pooled funds	£50m	£10m per fund	✓
Operational bank	£6.5m	£20m	✓

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.21 Actual	2021/22 Target	Complied?
Portfolio average credit rating	5.24	6	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.9.21 Actual	2021/22 Target	Complied?
Total cash available within 3 months	£8.8m	£8m	✓

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.9.21 Actual	2021/22 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	588	500	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	588	500	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.9.21 Actual £000	Upper Limit	Lower Limit	Complied?
Under 12 months	12,231	25%	0%	✓
12 months and within 24 months	3,812	50%	0%	✓
24 months and within 5 years	8,188	50%	0%	✓
5 years and within 10 years	16,493	100%	0%	✓
10 years and above	44,695	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	✓	✓	✓

Revisions to CIPFA Codes

In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee’s recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.
- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority’s functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority’s overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- Prudential Indicators
 - New indicator for net income from commercial and service investments to the budgeted net revenue stream.
 - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances - existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark - over at least 10 years and ideally cover the authority’s full debt maturity profile.
 - Excluding investment income from the definition of financing costs.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making

MHCLG Improvements to the Capital Finance Framework: MHCLG published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that “while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk”.

The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that MHCLG regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

A further consultation on these matters is expected soon.

Arlingclose’s Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England’s desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the ‘pingdemic’ and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

In-house as at 30/09/21**APPENDIX 2**

Organisation	Issue Date	Book cost	Market value	Market yield %	Credit Rating	Options available
<u>In-house investments - Long Term</u>						
CCLA Property investment Fund	30/06/17	3,000,000	3,037,620	4.06%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	3,031,268	4.06%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5,701,510	3.69%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	6,235,501	2.78%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	8,017,543	0.56%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,929,818	3.69%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,930,562	3.69%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	8,192,695	3.10%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	2,195,092	2.78%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	8,019,928	5.00%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,903,477	5.00%	UK - Gov 'AA'	5 Years +

50,000,000	50,195,013
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50,000,000	50,195,013	Total Portfolio
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Cashflow:**Rate****Call Accounts/MMF (as at 30/06/21)**

Global Treasury Fund (Goldman Sachs Money Market Fund)	354,106	0.01%
Standard Life Investments (Money Market Fund)	2,000,000	0.01%
Natwest SIBA	6,480,738	0.10%
Santander	503	0.05%
Bank of Scotland	5,023	0.10%
Barclays	374	0.00%

Total Cash flow	8,840,744
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Total Portfolio ar	58,840,744
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Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-21	Interest Rate %	Principal To Be Repaid 2021/22	Principal Balance 31-Mar-22	Interest Payable 2021/22	Lender	Type of loan
Long Term Borrowing											
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	245	2.50	45	201	6	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	45	2.50	8	37	1	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	71,630,591	3.18	2,443,225	69,187,366	2,258,582	PWLB	Annuity (HRA Financing)
					75,630,882		2,443,278	73,187,604	2,521,090		
Short Term Borrowing											
Fixed	06/07/21	06/10/21	On Maturity		0	0.03	6,000,000	0	454	Shropshire Council	Short term loan for Strategic cash flow purposes
Fixed	10/08/21	10/11/21	On Maturity		0	0.03	5,000,000	0	378	Barnsley Metropolitan BC	Short term loan for Strategic cash flow purposes
					0		11,000,000	0	832	<i>Sub-total</i>	
Fixed	01/05/12	01/11/27	MAY-NOV		60,966	0.00	8,710	52,257	0	Lawn Tennis Association	Interest free
					75,691,848		2,451,988	73,239,860	2,521,921		

In-house as at 31/10/21**APPENDIX 4**

Organisation	Issue Date	Book cost	Market Value	Market yield	Credit rating	Options available
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In-house investments - Long Term

CCLA Property investment Fund	30/06/17	3,000,000	3,077,172	4.06%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	3,070,738	4.06%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5,673,597	3.69%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	6,203,866	2.78%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	8,005,057	0.56%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,920,370	3.69%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,921,111	3.69%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	8,307,728	3.10%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	2,183,955	2.78%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	8,149,091	5.00%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,934,133	5.00%	UK - Gov 'AA'	5 Years +

50,000,000	50,446,821
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50,000,000	50,446,821	Total Portfolio
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Cashflow:**Call Accounts/MMF (as at 31/10/21)****Rate**

Global Treasury Fund (Goldman Sachs Money Market Fund)	354,106	0.01%
Standard Life Investments (Money Market Fund)	2,000,000	0.01%
Natwest SIBA	10,153,329	0.10%
Santander	502.52	0.05%
Bank of Scotland (BOS)	5,023	0.10%
Barclays	374	0.00%

Total Cash flow

12,513,334

Subject:	ANNUAL COMPLAINTS REPORT
Meeting and Date:	GOVERNANCE COMMITTEE – 2 DECEMBER 2021
Report of:	DEMOCRATIC AND CORPORATE SERVICES MANAGER
Classification:	UNRESTRICTED

Purpose of the report:	This report documents the number of complaints dealt with through the corporate complaints process for the financial year 2020/21 and from 1 April 2021 to 31 October 2021.
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Recommendation:	That the report be noted.
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1. Summary

This report highlights the number of complaints received for each service provided by the Council, for the financial year 2020/21 and the current financial year to 31 October 2021 and indicates where the number has risen or decreased. The report does not compare a full year with a full year.

2. Introduction and Background

- 2.1 The Council has a two stage corporate complaints process. The first stage is for the relevant department to respond to the complaint. If the complainant remains dissatisfied, they can request a Stage 2 review by Corporate Services. The report also details the numbers that have been referred to the Local Government & Social Care Ombudsman or Housing Ombudsman. This is an independent free service for the public if they are unhappy with the way in which a local authority (not a town or parish council) has dealt with an issue. The Ombudsman would normally require the matter to have been through the Council's complaints process first.
- 2.2 The number of complaints for the previous and current financial years have been compared, as detailed in Appendix 1. The main increase relates to the number of complaints received in respect of waste services. Due to the nature of the complaints that were being received, the majority were dealt with as requests for service and referred to the Waste Service to resolve. In the event that the Waste Service could not resolve the matter, for example as in instances of persistent non-collection of waste, these issues were then classed as formal complaints. The number of requests for service from 1 April 2021 to 31 October 2021 is 862.
- 2.3 The number of complaints relating to Housing Services has increased but as the service only came back in-house in October 2020, we do not have a comparable full year period so it is difficult to know what the benchmark for an annual number of complaints against which to measure the service should be.
- 2.4 For all complaints it must be noted that we are only comparing a partial year.
- 2.5 Fifteen cases were considered by the Local Government and Social Care Ombudsman in the 2020/21 financial year. Six were closed after initial enquiries of the Council and four were referred to the Council for consideration through the Council's complaints process. Of the five details investigations carried out by the Ombudsman, four decisions were upheld.

3. **Resource Implications**

3.1 None.

4. **Appendices**

Appendix 1 – Summary of complaints received during 2020/21 and 1 April 2021 to 31 October 2022.

5. **Background Papers**

File C23/5 – Complaints

Contact Officer: Sue Carr, Corporate Services Officer

Summary of Complaints received during 2020/21 and 2021/22

Appendix 1

Service	1 April 2020 to 31 March 2021				1 April 2021 to 31 October 2021				Increase/ Decrease
	Resolved at:				Resolved at:				
	Stage 1	Stage 2	LGO	Total	Stage 1	Stage 2	LGO	Total	
Benefits	4	1	0	5	4	0	0	4	-1
Building Control	0	1	0	1	0	1	0	1	-
Community Services	0	2	0	2	0	1	0	1	-1
Council Tax & NNDR	20	6	1	27	10	7	0	17	-10
Customer Services	2	1	0	3	2	0	0	2	-1
Environmental Protection	1	2	0	3	0	0	0	0	-3
Governance	0	0	1	1	0	1	0	1	-
Housing Services	4	2	0	6	11	2	0	13	+7
Housing Options	10	3	2	15	3	3	0	6	-9
Housing Repairs	8	6	0	14	11	2	0	13	-1
Housing Income	1	0	0	1	1	0	0	1	-
Legal	1	0	0	1	0	0	0	0	-1
Licensing	0	0	0	0	1	4	0	5	+5
Mail Room	0	1	0	1	0	0	0	0	-1
Parks & Open Spaces	2	1	0	3	3	2	0	5	+2
Parking Services	1	1	0	2	0	1	0	1	-1
Private Sector Housing	0	0	0	0	1	0	0	1	+1
Planning	14	10	2	26	8	9	0	17	-9
Planning Enforcement	4	5	1	10	8	3	0	11	+1
Planning & Planning Enforcement	0	0	0	0	1	2	0	3	+3
Property Services	2	2	1	5	2	2	1	5	-
Regeneration	0	2	0	2	0	0	0	0	-2
Waste Services	14	5	0	19	97	7	2	106	+87
Total	88	51	8	147	163	47	3	213	+66

Subject:	PARENTAL LEAVE POLICY FOR COUNCILLORS
Meeting and Date:	GOVERNANCE COMMITTEE – 2 DECEMBER 2021 COUNCIL – 26 JANUARY 2022
Report of:	DEMOCRATIC & CORPORATE SERVICES MANAGER
Classification:	UNRESTRICTED

Purpose of the report: To agree a Parental Leave Policy for Councillors and incorporate it into the Constitution.

Recommendation: Governance Committee
“That the Governance Committee recommend the draft Parental Leave Policy for Councillors to the full Council for adoption and incorporation into the Constitution.”
 Council
“That the draft Parental Leave Policy for Councillors be adopted and incorporated into the Constitution.”

1. Summary

This report sets out the process by which Members can seek a leave of absence for parental leave.

2. Introduction and Background

(a) Council Motion

2.2 The Council at its meeting held on 20 July 2021 agreed a Motion from Councillor C A Vinson that the Council adopt a parental leave policy for councillors. This Motion in addition to agreeing to adopt a policy called for the Council’s Constitution to clearly set out the process by which Members could seek a leave of absence, which should reflect not only the formal legislative permission required for periods longer than six months, but also the Council’s own process to support new and adoptive parents seeking a period of leave of shorter duration.

2.3 In addition, the Council has resolved that requests for parental or adoption leave should not be unreasonably refused.

(b) Parental Leave for Elected Members

2.4 There is at present no legal right to parental leave of any kind for the holders of elected public office, with the exception of those covered by the Ministerial and other Maternity Allowances Act 2021 (Ministers of the Crown and some paid Opposition positions). The Act does not apply to MPs in general and there is no equivalent legal right for councillors. These policies can therefore only currently be implemented on a voluntary basis by local authorities.

2.5 In East Kent, Thanet District Council adopted a Parental Leave Policy for elected members earlier this year and Folkestone and Hythe District Council has considered such a policy, although at the time of writing this report has not adopted one.

(c) Implications - Local Government Act 1972

2.6 In legislative terms, there are no impediments to prevent a Member from taking a leave of absence for a period of less than six months as s.85 of the Local Government Act

1972 only relates to the vacation of the office of a councillor due to non-attendance for a period of six months or more. The draft policy acknowledges this position.

- 2.7 For an absence of greater than six months the full Council will need to approve the absence. Once an absence has been granted it will apply until the date of the next ordinary elections of the council. This does not of course preclude the councillor benefiting from the approval returning early. No permission is required from anybody to do so.
- 2.8 It is also recognised that there may be implications politically and in terms of democratic representation for such an absence, so the draft policy proposes, in accordance with the original Motion, that the Member concerned will make arrangements for their constituents to be represented in their absence.

(d) Implications – Members’ Allowances

- 2.9 All councillors receive a Basic Allowance in accordance with the provisions of The Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended). In accordance with regulation 4(1), the Basic Allowance shall be the same for each member and, unless voluntarily surrendered by a member, there is no provision for the Council to withhold or alter the Basic Allowance paid to a particular member.
- 2.10 For Special Responsibility Allowances (SRA) the Council may determine these for specific posts and responsibilities as it sees fit. An SRA is payable so long as a Member holds the relevant office. It automatically ceases to be payable once a Member is no longer holding that office. It should be noted that for non-executive posts, the full Council must make any changes for them to take effect (such as removing a committee chairman). In the case of executive posts and appointments or the shadow cabinet, this is made by the Leader or Main Opposition Group Leader respectively.

(e) Implications – Continuity of Office of Councillor

- 2.11 It should be noted that neither the Parental Leave Policy nor the resolution under section 85 Local Government Act affect the legal status of the member concerned as a councillor. They will throughout their period of absence remain full members of the Council entitled to all their rights and privilege as such. They will also retain many of their responsibilities. It follows from this that a member on parental leave could exercise their functions at any time whether regularly or on a sporadic basis. The Local Government Association (LGA) has developed a model policy, and this has been used as the basis for the draft policy accompanying this report as it covers the points raised in the original Motion. The model policy does not directly address what the expectations of the council are in this regard and neither is this addressed in the draft Dover District Council Policy. The difficulty in attempting to do so lies in the fact that the member continues to be a councillor with the consequences outlined in the opening lines of this paragraph.
- 2.12 The converse of the situation referred to in paragraph 2.11 is also true. Given that a member on parental leave remains a councillor there is nothing to prevent constituents, lobbyists, officers and indeed, other members from contacting them whilst on leave. Again, the LGA Policy is silent on what the expectations of the Council are with regard to how the member on parental leave should conduct themselves in such circumstances or indeed, what the rest of the organisation should do or refrain from doing. The draft Dover District Council Policy is similarly silent.
- 2.13 The draft policy does make some limited provision for the issues outlined in paragraphs 2.11 and 2.12 above in that it requires notification via the website as to what arrangements are in place to cover the ward work of the member on parental leave. It is suggested that a way forward would be for a member when notifying the Democratic and Corporate Services Manager of their wish to take parental leave to also notify their

preferences with regard to contact and discharge of responsibilities during their period of absence.

(f) Consultation with Statutory Officers

- 2.14 The Council's statutory officers have been consulted on the proposed amendments to the Constitution in accordance with the requirements of Article 15.02(a) of the Constitution. They have no further observations to make.

3. Identification of Options

- 3.1 Option 1 (Governance Committee): To recommend to the Council that the draft Parental Leave Policy for Councillors as set out in Appendix 2 be adopted.
- 3.2 Option 1 (Council): To adopt the draft Parental Leave Policy for Councillors as set out in Appendix 2.
- 3.3 Option 2 (Governance Committee): To recommend to the Council that the draft Parental Leave Policy for Councillors, as set out in Appendix 2, be adopted with amendments.
- 3.4 Option 2 (Council): To adopt the draft Parental Leave Policy for Councillors, as set out in Appendix 2, with amendments.
- 3.5 Option 3 (Governance Committee): To recommend that the Council does not adopt the draft Parental Leave Policy for Councillors as set out in Appendix 2 or any amended version of it.
- 3.6 Option 3 (Council): To not adopt the draft Parental Leave Policy for Councillors as set out in Appendix 2 or any amended version of it.

4. Evaluation of Options

- 4.1 Option 1 (Governance Committee & Council): This is the recommended option as it implements the Motion agreed by Council on 21 July 2021. The draft policy set out in Appendix 2 of the report is based on the Local Government Association's Parental Leave Policy for Councillors. There has been a small number of amendments to this based on the requirement of the Motion adopted by the full Council that this set out the process by which Members can seek parental leave.
- 4.2 Option 2 (Governance Committee & Council): If this option still meets the requirements of the original Motion and is consistent with legislative arrangements it will be an adoptable alternative to Option 1. If it is the intention to adopt an amended policy then it is requested that the amendments are discussed with officers in advance so that their feasibility can be assessed.
- 4.3 Option 3 (Governance Committee & Council): This is not the recommended option as the proposed policy implements the requirements of the Motion adopted by the full Council.

5. Resource Implications

- 5.1 There are no direct resource implications arising from this policy. The draft Parental Leave Policy for Councillors does not increase the levels of Basic or Special Responsibility Allowance paid to Members.

6. Climate Change and Environmental Implications

- 6.1 There are no significant climate change implications arising from the draft policy set out in Appendix 2.

7. **Corporate Implications**

- 7.1 Comment from the Section 151 Officer: The Section 151 Officer and the Accountancy Section have been consulted on this report and have no further comments to make. It is noted that there are no financial implications to the recommendations of the report. (LS)
- 7.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no comment.
- 7.3 Comment from the Equalities Officer: The Equality Officer has been consulted during the development of this report which proposes a positive impact for Members who have parental responsibility. Should the need arise for a Member to take parental leave, they will be able to continue to perform their role as an elected Member of the Council without fear of losing their role as a lead Councillor, along with the allowance that is attached. In discharging their duties Members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

8. **Appendices**

Appendix 1 – Original Motion adopted by the full Council

Appendix 2 – Draft Parental Leave Policy for Councillors

9. **Background Papers**

Council Agenda – 21 July 2021

Contact Officer: Rebecca Brough, Democratic & Corporate Services Manager,
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MOTION ADOPTED BY COUNCIL – 21 JULY 2021

This Council notes:

- That the average age of a Dover district resident in 2016 was 43.3 years old, and the average age of local authority councillors across the country in 2018 was 59.4 years old.
- That just 22% (7 of the 32) Dover district councillors elected in May 2019 were female, compared to 50.8% of the district's population, and that analysis of the 2021 local elections by the Fawcett Society found that only 33% of the candidates were female.
- That the role of a councillor should be open to all, regardless of their background.
- That clarifying the Council's arrangements for parental leave is a step towards encouraging a wider range of people to become councillors, and is also a step to encourage existing councillors who may want to start a family to remain as councillors;
- That parental leave must apply to parents regardless of their gender, and that it should also cover adoption leave to support those parents who choose to adopt.
- That Section 85 of the Local Government Act 1972 already permits the Council to approve a leave of absence for any member such that they would not cease to be a councillor if they did not attend meetings of the Council for a period of six-months or more.

This Council resolves:

- To encourage a broad range of candidates to stand for election, regardless of background, and particularly from groups that might be reluctant to do so – such as candidates who are younger, female or have family and/or caring responsibilities.
- To ensure that councillors that are new or adoptive parents, as well as councillors with older children and other caring commitments are supported as appropriate.
- To ensure that the Council's Constitution clearly sets out the process by which members can seek a leave of absence, which should reflect not only the formal legislative permission required for periods longer than six-months, but also the Council's own process to support new and adoptive parents seeking a period of leave of shorter duration.
- That pending formal changes to the Constitution, the Council look favourably upon ad hoc requests for parental or adoption leave.
- That requests for parental or adoption leave should not be unreasonably refused.
- That councillors have a responsibility to their constituents to ensure that their ward casework is covered for any period of absence, which may require support from other elected representatives in multi-member wards, or their political group as appropriate.
- That the Council's website should be updated to show when a member is taking a period of absence, alongside details of any arrangements they have made to allow for constituency work in their ward to be covered.

DOVER DISTRICT COUNCIL

PARENTAL LEAVE POLICY FOR COUNCILLORS

Introduction

- 1.1 The Council at its meeting held on 20 July 2021 agreed a Motion to make provision for a Parental Leave Policy for Dover District Councillors. The intention of this policy is to encourage a broad range of candidates to stand for election, regardless of background, and particularly from groups that might be reluctant to do so – such as candidates who are younger, female or have family and/or caring responsibilities - and to ensure that councillors that are new or adoptive parents, as well as councillors with older children and other caring commitments are supported as appropriate.
- 1.2 This policy document sets out the process by which Members, of any gender, can seek a leave of absence which reflects not only the formal legislative permission required for absences of six months or more, but also the Council's own process to support new and adoptive parents seeking a period of parental leave of shorter duration.

Legislative Context

- 2.1 Section 85(1) of the Local Government Act 1972 makes provision for a meeting of the full Council to approve the non-attendance at meetings of the Council by a councillor for a period of six months or more, thereby avoiding the vacation of their office occurring once six consecutive months have elapsed during which they have not attended any meeting of the Council. The Council must approve this prior to the expiry of the six-month period.
- 2.2 All councillors receive a Basic Allowance in accordance with the provisions of The Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended). In accordance with regulation 4(1), the Basic Allowance shall be the same for each Member and, unless voluntarily surrendered by a Member, there is no provision for the Council to withhold or alter the Basic Allowance paid to a particular member.

Leave Period

- 3.1 A Member may request parental leave with effect from the date of birth or adoption for a period of up to 1 year.
- 3.2 A Member intending to take parental leave will be responsible for ensuring that they comply with the relevant notice requirements of the Council, both in terms of the point at which the leave starts and the point at which they return.
- 3.3 A Member taking parental leave should ensure that they respond to reasonable requests for information as promptly as possible, and that they keep officers and other councillors informed and updated in relation to intended dates of return and requests for extension of leave.
- 3.4 It is the responsibility of any Member taking parental leave to make arrangements for the cover of their ward work during their period of absence.

Procedure for Notification

- 4.1 Any Member wishing to take parental leave should notify the Democratic and Corporate Services Manager in writing of the date that the leave will start and the date that it will

DOVER DISTRICT COUNCIL
PARENTAL LEAVE POLICY FOR COUNCILLORS

conclude and as to their preferences regarding any contacts from the Council during their period of absence.

- 4.2 For any absence of six months or more, it is the responsibility of the Member concerned to make a written request to the full Council, via the Democratic and Corporate Services Manager, that this absence be approved. Notification of this should be given as soon as the Member is aware that they will be absent for six months or more. If insufficient notice is given it may not be possible to organise a meeting of the full Council in time to consider the request for an absence of six months or more.
- 4.3 The Democratic and Corporate Services Manager shall ensure that the Council's website is updated to show when a member is taking a period of absence, alongside details of any arrangements they have made to allow for constituency work in their ward to be covered.

Basic Allowance

- 5.1 All Members shall continue to receive their Basic Allowance in full whilst on parental leave.

Special Responsibility Allowances

- 6.1 Members entitled to a Special Responsibility Allowance shall continue to receive their allowance in full in the case of parental leave but only for so long as they retain their position by virtue of the Special Responsibility Allowance is payable.
- 6.2 Where a replacement is appointed by the Leader of the Council (for executive positions) or the full Council (for non-executive positions) to cover the period of absence that person shall receive the Special Responsibility Allowance on a pro-rata basis for the period of the temporary appointment and the entitlement of the original member to the Special Responsibility Allowance shall cease.
- 6.3 Should a Member appointed to replace the member on parental leave already hold a remunerated position, the ordinary rules relating to payment of more than one Special Responsibility Allowances shall apply.
- 6.4 Unless the Member taking parental leave is removed from their post at an Annual General Meeting of the Council, by the Leader of the Council, or by their Political Group whilst on leave, or unless the Party to which they belong loses control of the Council during their leave period, there is a presumption that they shall, at the end of their parental leave period, resume their duties.

Resigning from Office and Elections

- 7.1 If a Member decides not to return at the end of their parental leave, they should contact the Democratic and Corporate Services Manager for advice on how to proceed. The processes to be followed will be dependent upon whether the member is not wishing to return to a particular office or is wishing not to return as a councillor. In the case of the latter, the member would be advised to resign their office as a councillor in accordance with section 84 Local Government Act 1972.
- 7.2 If an election is held during the Member's parental leave period and they are not re-elected, or decide not to stand for re-election, their basic allowance and SRA if appropriate will cease from the Monday after the election date when they would technically leave office.