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9 March 2022

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 17 March 2022 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, Democratic Services Officer on (01304) 872305 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

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 - 8)

To confirm the attached Minutes of the meeting of the Committee held on 2 December 2021.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 9 - 29)

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

6 **DRAFT INTERNAL AUDIT PLAN 2022-23** (Pages 30 - 38)

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

7 **TREASURY MANAGEMENT QUARTER THREE REPORT 2021/22** (Pages 39 - 55)

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

8 **ARRANGEMENTS FOR THE BROADCAST OF MEETINGS**

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

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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, 2 December 2021 at 6.00 pm.

Present:

Chairman:	Councillor D Hannent (Minute nos. 9 to 14 only) Councillor P D Jull (Minute nos. 15 to 19 only)
Councillors:	S H Beer S J Jones P Walker
Officers:	Strategic Director (Corporate Resources) Head of Governance and HR Head of Audit Partnership (East Kent Audit Partnership) Democratic and Corporate Services Manager Democratic Services Officer

9 APOLOGIES

An apology for absence was received from Councillor D A Hawkes

10 APPOINTMENT OF SUBSTITUTE MEMBERS

The Democratic Services Officer advised that no notice had been received for the appointment of substitute members.

11 DECLARATIONS OF INTEREST

There were no declarations of interest made.

12 MINUTES

The Minutes of the meeting held on 30 September 2021 were approved as a correct record for signing by the Chairman.

13 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The 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 30 September 2021.

It was reported that a total of four internal audit assignments and four follow-up reviews had been completed during the period. There were no critical or high priority recommendations outstanding after follow-up. A correction was made to page 19 of the report that stated a finalised Substantial assurance level for Officer's Code of Conduct and was corrected to Reasonable.

Following the Human Resources service being brought back in house, the agreed Audit Plan was increased by ten days. Further to the report, from 30 September to end of November 2021 72% of DDC's agreed plan and 55% for EKS and Civica had been completed with an overall total of 65% against the 67% target.

With regard to the Officers' Code of Conduct and Payroll reviews there was some discussion regarding Members' involvement in the employee recruitment process and the requirement of the vacant or new posts. The Head of Governance and HR confirmed that matters of recruitment and employment were delegated to the Head of Paid Service and as this was not within the scope of the audit the Chairman advised Members to raise these queries with officers outside of the meeting.

RESOLVED: That the Quarterly Internal Audit Update Report be noted.

14 TREASURY MANAGEMENT QUARTER TWO 2021/22 REPORT

The Strategic Director (Corporate Resources) introduced the Treasury Management Quarter Two 2021/22 Report to the Committee. The Council's investment return for the period to September 2021 was 2.60%, which outperformed the benchmark by 2.55% and the total interest and dividends income forecast for the year as of 30 September 2021 was £190k less than the original budget estimate. The Council had also remained within its Treasury Management guidelines and complied with the Prudential Code guidelines.

In response to a question Members were reminded that budget updates were provided quarterly in the Council's Performance Report.

RESOLVED: That the Treasury Management Quarter Two Report 2021/22 be noted.

15 ELECTION OF A CHAIRMAN

Councillor D Hannent announced he had to leave the meeting. In the absence of the Vice-Chairman the Democratic Services Officer called for nominations for a chairman for the remainder of the meeting.

RESOLVED: That Councillor P D Jull be elected as Chairman for the remainder of the meeting.

16 ANNUAL COMPLAINTS REPORT

The Democratic and Corporate Services Manager presented the Annual Complaints Report which provided Members with the number of complaints received through the corporate complaints process for each service provided by the Council for the financial year 2020/21 and from 1 April 2021 to 31 October 2021. Members were provided with further details of the four decisions upheld by the Local Government and Social Care Ombudsmen

RESOLVED: That the Annual Complaints Report be noted.

17 CORPORATE RISK REGISTER

The Democratic and Corporate Services Manager provided Members with an update on the Corporate Risk Register. The report, which provided details of the Council's Corporate Risks, had been requested by the Governance Committee at its meeting on 29 July 2021 following its consideration of the Annual Internal Audit Report and comments from the East Kent Audit Partnership that the Register should be presented to the Committee.

In respect of officers' consideration of the appropriate reporting of the Corporate Risks and the role of the Governance Committee, Members were satisfied that the recommended approach to incorporate the corporate risks into the new Strategic Dashboard as part of the quarterly Performance Report, achieved the Committee's aim by allowing Member scrutiny by the Cabinet and Overview and Scrutiny Committee.

RESOLVED: That the Corporate Risk Register be noted.

18 PARENTAL LEAVE POLICY FOR COUNCILLORS

The Democratic and Corporate Services Manager introduced the Parental Leave Policy for Councillors report to Members. The draft policy had been referred to the Governance Committee following an adopted Motion at a meeting of the full Council on 20 July 2021.

To provide some flexibility Members requested the wording at paragraph 3.1 be amended to allow the Member concerned to indicate when their parental leave would commence from, to allow for any eventualities such as early or difficult pregnancies.

RESOLVED: That, subject to the wording at paragraph 3.1 being amended to allow the Member the flexibility to advise when their parental leave will commence from, the Governance Committee recommend the draft Parental Leave Policy for Councillors to the full Council for adoption and incorporation into the Constitution.

19 REVIEW OF THE CONSTITUTION

The Head of Governance and HR introduced the report to the Committee and provided Members with a summary of a number of changes to the Constitution that included: textual amendments to reflect changes in job titles and organisational structure changes; changes to the Members' Allowances Scheme that had previously been agreed by full Council in January 2021; changes to the composition of Cabinet Portfolios and; a number of changes to the Scheme of Officer Delegations to reflect legislative changes, procedures or to provide increased transparency or clarity.

Councillor S H Beer suggested further amendments in addition to those in the report:

- That reference to the Cabinet and Executive within the Constitution to be consistent. The Head of Governance and HR would review this to provide clarity.

- That Article 7 Neighbourhood Forums be reviewed to either remove the reference or insert where they are implemented. The Head of Governance and HR would discuss this with the Head of Community and Digital Services.

- That the word 'substantially' be removed from the last paragraph of Council Procedure Rule 11.5. The Democratic and Corporate Services Manager would make this amendment for the draft for full Council.

RESOLVED: That it be recommended to Council that the proposed changes in the Review of the Constitution 2021/22, as set out in Appendix 1, and specifically those changes relating to Part 3, Responsibility for Functions, Section 1 (Responsibility for Council Functions) and Section 6, Sub Section C (Scheme of Officer Delegations) that relate to Council functions be approved and incorporated into the Council's Constitution, issue no. 24.

The meeting ended at 6.49 pm.

Subject:	**QUARTERLY INTERNAL AUDIT UPDATE REPORT**
Meeting and Date:	**Governance Committee – 17th March 2022**
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 31st December 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 seven internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.

2.8 In addition six follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.

2.9 For the nine-month period to 31st December 2021, 231.76 chargeable days were delivered against the target of 300, which equates to 77.25% 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

<u>INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.</u>

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 31st December 2021.

2. SUMMARY OF REPORTS:

	Service / Topic	Assurance level	No. of Recs.	
2.1	Capital	Substantial	C H M L	0 0 0 0
2.2	EKS/Civica – Council Tax	Substantial	C H M L	0 0 0 0
2.3	EKS/Civica – Housing Benefits Payments	Substantial	C H M L	2 2 0 0
2.4	Playgrounds	Reasonable	C H M L	0 3 4 2
2.5	Climate Change – Position Statement	Not Applicable		
2.6	EKS - Housing Benefit Quarterly testing 2021/22 - Quarters 1 & 2	Not Applicable		
2.7	Lessons Learned Review	Not Applicable		

2.1 Capital – Substantial Assurance

2.1.1 <u>Audit Scope</u>

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that there is an effective and efficient evaluation and approval procedure for capital projects and robust financial procedures to enable sufficient budgetary provision to be made available for their funding.

2.1.2 Summary of Findings

The Section 151 Officer is responsible for ensuring that the capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council. The capital programme operates on a cash funded position with no new projects being approved to commence unless either the whole project cost can be financed through additional funding, sufficient capital receipts have been banked, or other savings in the programme have been identified.

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

- There is a properly approved Capital Strategy in place which is produced as part of the Medium Term Financial Plan each year.
- The strategy has been appropriately approved and regularly reviewed.
- Suitable procedures are in place to evaluate and approve capital projects.
- Capital budgets are regularly reported and monitored by Senior Management and elected Members
- Where capital projects are funded from the capital receipts, calculations of sale proceeds are taken into consideration.
- Procedure notes are in place within Financial Services which document the processes to be followed in respect of Capital Applications and future monitoring, and these are reviewed on a regular basis.
- Project Post Implementation Reviews are carried out. Recent examples include Dover Leisure Centre, Ottaway House and Kearsney Abbey

2.2 EKS/Civica; Council Tax – Substantial Assurance

2.2.1 Audit Scope

To ensure that the processes and procedures established by EK Services/CIVICA are sufficient to provide the level of service required by the partner authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the administration of Council Tax functions especially the allocation of liability, billing and the monitoring of payments for Council Tax accounts.

2.2.2 Summary of Findings

Canterbury City, Dover and Thanet District Councils are responsible for the setting and approving of the council tax rates whilst the billing and collection processes are carried out by CIVICA on behalf of each council.

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

- Council Tax is set in accordance with the relevant legislation.

- Parameters within the Council Tax system are extensively checked and reviewed before the billing process is started.
- Council Tax bills are checked to confirm they are in the correct format before the commencement of the billing process.
- Updates from the Valuation Office are actioned and reconciled to the Council Tax system on a regular basis.
- Established processes are in place for the processing of refunds, write offs and the recovery of outstanding arrears of council tax. A revision to the write off form has been agreed with the Council Tax Manager during the course of the audit so a recommendation has not been made in this audit report.

2.3 EKS/Civica; Housing Benefits Payments – Substantial Assurance

2.3.1 Audit Scope

To ensure that the processes and procedures established by EK Services/CIVICA are sufficient to provide the level of service required by the partner authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the payments of Housing Benefit.

2.3.2 Summary of Findings

On behalf of Canterbury, Dover and Thanet councils, Civica currently administers new and existing claims for Housing Benefits under an agreement. Payment runs are undertaken on a 2 or 4 weekly basis (depending on if the claim is to be paid direct to the claimant or a landlord); the amounts paid to date are given in the following table:

Authority	Made to date (Jan 2022) £
CCC	8,028,723
DDC	11,458,481
TDC	24,460,314

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

- There is a contract in place between Civica and all three partner councils for this service, which is being monitored and managed;
- There are adequate, relevant, up to date and easily accessible procedures and guidance notes for staff;
- From the samples tested there are adequate controls in place to ensure payments made are accurate; checked and being made in a timely manner;
- Preventative and checking controls are in place for payments over £1000;
- Bank details and change controls are in place to ensure payments are issued correctly; however the defaulted position for bank account details needs to be reviewed on claimant forms and within systems to minimise carry over into the payments system and cause unnecessary delays.

Scope for improvement was however identified in the following areas:

- Up to date retention schedule and policy statements need to be in place; and
- To enhance the authorisation process for the payment run and to check on payment duplications a management spot check process on duplications identified within the verification report should be in place;

2.4 Playgrounds – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the service provision regarding playgrounds and the equipment located within them ensures that they are safe, well maintained and are robust to meet their intended use for the future.

2.4.2 Summary of Findings

Dover District Council currently has 22 playgrounds (not including skate parks and Multi use games (MUGAS) areas) for which a maintenance regime is in place. These are listed follows:

Area	Playground
Aylesham	Central Boulevard, Aylesham
Aylesham	Market Place, Aylesham
Deal	Cowdray Square, Deal
Deal	Marke Wood Recreation Ground, Deal
Deal	North Deal Playing Fields
Deal	Travers Road, Deal
Deal	Victoria Park, Deal
Deal	William Pitt Avenue, Deal
Deal	Wilson Avenue, Deal
Dover	Aycliffe Recreation Ground, Dover
Dover	Colton Crescent, Whitfield, Dover
Dover	Connaught Park, Dover
Dover	Elms Vale Recreation Ground, Dover
Dover	Kearsney Abbey, Dover
Dover	Northbourne Avenue, Dover
Dover	Pencester Gardens, Dover
Dover	Russel Gardens, Dover
Dover	Sheridan Road, Dover
Dover	St Radigunds, Dover
Sandwich	Poulders Gardens, Sandwich
Sandwich	The Bulwarks, Sandwich
Sandwich	The Butts Recreation Ground, Sandwich

Due to a management re-structure and an officer retirement the day-to-day management of these play areas is now being over seen by the Facilities Management Team. As such, this has provided an opportunity for a ‘refresh’ of both operational and managerial systems. These new ways of working require time to embed.

The operational and inspection framework in place is based upon best standards set out by ROSPA (Royal Society for the Prevention of Accidents) in order for the Council to satisfy the requirements and duties as set out within section 3 and 4 of the Health & Safety at Work Act etc. (1974).

The system in place is called a three-tier system (i.e., three levels of inspection) which is widely recognised as a good working model to have in place in line with best practice. This framework helps the Council comply with the European Playground Equipment Standard EN 1176 as well as providing a certain level of assurance that playgrounds and playground equipment are being monitored adequately. The three-tier approach adopted by the Council is as follows and any issues found during these inspections are reported back to the asset management team for action:

- Weekly inspections are undertaken by the Grounds Maintenance Team.
- A contractor, Safeplay, undertakes a programme of inspections for each site. These occur as a minimum two times a year; and
- The Insurance Provider undertakes an annual inspection of all play areas.

The processes in place rely on multiple information systems, some of which are in the control of suppliers (3rd Party).

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

- There is a wealth of information on the Council’s website relating to play areas, including an on-line ‘fault’ reporting mechanism for the public to use if they have a concern regarding a play area.
- The health and safety inspection processes are effective, well documented, and robust. There are schedules of work in place for the undertaking of Health & Safety inspections and a reporting system for escalating safety issues.
- The 3-tier inspection process in place is working well and complies with that recommended by RoSPA to satisfy the Health and Safety at Work Act (1974).
- The management and monitoring of the inspection programme is effective, however, as this is a new system of recording actions this needs time to embed.
- The insurance process is working well with evidence of a documented system being in place.

Scope for improvement was however identified in the following areas:

- The strategy in place is out of date and there are no policies or procedures in place to document the Council’s decision processes or day to day operations for this function.
- There are no records being maintained by the service to support or evidence that budget management is occurring.

2.5 Climate Change; Position Statement – Not Applicable

In 2020 the Council, following around 300 other local government authorities (LGA), recognised the severity of this situation and declared a climate emergency in order to ramp up its actions to reduce harmful greenhouse gases and other emissions.

This review looks at progress to date, highlights any gaps, and suggests further ways of reaching the Council's zero net carbon and improved biodiversity goals.

SUMMARY

Progress to date and future plans

- EV charging points have recently been installed across the district and an LED street lighting scheme has been completed.
- Grant schemes have been delivered to help vulnerable residents achieve affordable warmth through increased insulation and thereby also reducing energy consumption and emissions.
- The Council participated in the first found of Solar Together Kent, which promotes group buying of solar panels/battery storage to the ‘able to pay’, thus encouraging renewable energy across the district. Solar Together Kent round 2 is now open.
- The Council has set up a cross-party Project Advisory Group to review potential solutions and monitor progress on climate action.
- A Climate Change Strategy and carbon reduction action plan has been produced.
- The Council is considering ways to ‘green up’ its housing stock e.g. with increased levels of insulation, and more energy efficient doors and windows.
- Reporting on reduced carbon emissions, resulting from increased energy efficiency measures, may be based on ‘expected carbon reduction’ as measuring and reporting on actuals is complicated at present.
- The Council is considering an on-street EV car hire scheme, particularly in areas where the need for parking exceeds on-street availability – see also Tunbridge Wells Car Club for a similar pay-as-you-go operation.
- Council vehicles such as small vans will be replaced with electric vehicles when due for renewal.
- Regarding car emissions, the Council is using tiered pricing for parking permits depending on level of emissions.
- Ambitious ideas are being considered for future housing developments in the district, ones designed for a hotter climate which provide cooling, shade and capture the energy from the sun. Sustainability and self-sufficiency are also at the heart of these ideas, such as vertical farming. Better transport links or closer amenities would be designed-in to reduce the need for cars and utilise parking spaces instead, for housing. Some housing may be cleverly designed to occupy a much smaller footprint, discourage the accumulation of ‘stuff’ and share outdoor spaces or atriums with neighbouring properties.

Ideas for progression

The following is a sample of key ideas summarised at a high level. Please see the report findings for further (itemised) ideas and supporting information.

- There should be an internal Comms campaign to raise the profile of climate change, engage staff and invite participation.
- As part of the Comms campaign, staff should be given training on climate change and how to reduce their carbon footprint.
- Any all-staff briefings should include an update on what the Council is doing to tackle climate change as well as invite ideas. If there are no staff briefings, these should be suggested.
- As well as engaging all staff in climate mitigating activity, sufficient resource should be provided to show presence, lead, and co-ordinate climate related work. This should be commensurate with the high, global, national and local priority given to the climate agenda. Work to tackle the impact of climate change will become ever more pressing.

- Look to assign carbon neutralising tasks/projects to specific teams/service areas which set clear objectives.
- There should be a high-level district wide carbon strategy to engage with stakeholders.
- The Council must adopt a green thread and align all its policies and strategies with the climate agenda and Corporate Plan (which includes climate/environment).
- Inward investment should encourage industries that adopt a circular design approach. There should be more emphasis on Reducing and Re-using before, Recycling (the 3 Rs). Reducing our consumption has a far greater positive impact on climate.
- Maidstone Borough Council has recently been voted as having the best climate action plans in Kent - see Kent Online. This may provide some useful ideas.

CONCLUSION

The Council has some positive high-profile projects in the pipeline such as the new electric Fastrack service which will connect large housing estates in Whitfield to the town centre and the train station in the most efficient way. The district also boasts some high-quality green spaces. However, the Council has a way to go in adopting a joined-up collaborative approach to tackling the climate and ecological crises, both internally with staff and with external stakeholders. Staff education and engagement is crucial since climate change is immense. It cuts across all departments and affects every person. The Council must raise the profile of climate change amongst staff and invite participation from everyone. Currently the message is just not reaching people and the Council is missing an opportunity to get support and expertise from in-house.

2.6 EKS - Housing Benefit Quarterly testing 2021/22 - Quarters 1 & 2 – Not Applicable for Assurance

2.6.1 Introduction

Over the course of 2021/22 financial year the East Kent Audit Partnership completes a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.6.2 Findings

For the first and second quarters of 2021/22 financial year (April to September 2021) thirty claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification. Below is a summary table of the findings:-

A ‘fail’ is categorised as an error that impacts on the benefit calculation. However, data quality errors (such as an incorrect NINO) are still to be shown but if they do not impact on the benefit calculation, then for reporting purposes the claim will be recorded as a ‘pass’.

2.6.3 Audit Conclusion

For this period thirty benefit claims were checked and one (3.33%) of the claims had a financial error and there was one (3.33%) data quality error.

2.7 LESSONS LEARNED REVIEW – Not Applicable for Assurance

EXECUTIVE SUMMARY & CONCLUSION

2.7.1 In March 2021 the Council became aware that a Planning Decision Notice (DN) had been issued against an application which contained errors. Attempts were made to work with the applicant to edit the errors and, a Second Decision Notice was subsequently issued. However, it later transpired that this further compounded the error and should not have been attempted. Once the errors on the Second Decision Notice came to light the matter was escalated and a legal view was sought as to what the next steps should be.

2.7.2 The EKAP was commissioned to identify why the error happened in the first instance and to establish the root cause of why opportunities were missed for ensuring the correct action was taken immediately following the error being highlighted.

2.7.3 A summary of the key issues is as follows: -

- The initial error is somewhat unexplained, the root cause is thought to be human error by the case officer, due to cutting and pasting from one system to another, where for an unexplained reason, one screen is recorded differently to another;
- The system generated Decision Notice was issued with several significant errors. They were first detected by the Applicant several weeks after having been issued;
- The Planning Officers tried to correct the errors informally, but the Second Decision Notice was incomplete;
- The matter was handled by colleagues due to the case officer being absent at different times in the relevant period;
- The case officer escalated the matter when they became aware of the Second Decision Notice and the errors;
- Having been escalated, the Planning Solicitor has been involved in advising on all the steps that have followed since;
- An inconsistency in both the understanding of the law in respect of changing an issued Decision Notice, and;
- Not having established standardised procedures which set out the roles and responsibilities within the planning team, (due to the speed of implementing new systems and working remotely) have also contributed to the circumstances.

2.7.4 There were some changes made immediately by the Head of Planning, Regeneration and Development to improve controls preventing any future reoccurrence, and one further suggestion was made in response to the report’s findings.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period’s work, five 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)	Land Charges	Reasonable	Reasonable	C H M L	0 2 2 3	C H M L	0 0 0 0
b)	Environmental Protection Service Complaints	Substantial	Substantial	C H M L	0 0 0 3	C H M L	0 0 0 0
c)	Tenant Health & Safety	No	Substantial	C H M L	1 0 0 0	C H M L	0 0 0 0
d)	EKS - Key Performance Indicators	Substantial	Substantial	C H M L	0 0 1 1	C H M L	0 0 0 0
e)	EKS – ICT Software Licensing	Reasonable /Limited	Reasonable	C H M L	1 1 1 1	C H M L	0 0 0 0

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 Digital, Tech 1 PIR, Tenancy & Estate Management, Recruitment, Budgetary Control, and Contract Management & Monitoring.

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 nine-month period to 31st December 2021, 231.76 chargeable days were delivered against the target of 300, which equates to 77.25% 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.

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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 31st December 2021 against the agreed 2020/21 Audit Plan.
Annex 4	Balanced Scorecard of performance indicators to 31st December 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.**
None this Quarter		

ANNEX 2

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	Work-in-Progress
CSO Compliance	March 2022	Reasonable/Limited	Spring 2022

ANNEX 3

PROGRESS AGAINST THE AGREED 2021-22 AUDIT PLAN.
DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2021	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	10	10	10.65	Finalised - Substantial
Creditors & CIS	10	0	0.18	Postponed
External Funding Protocol	10	0	0.18	Postponed
Main Accounting System	10	0	0.18	Postponed
Budgetary Control	10	10	2.31	Work-in-Progress
HOUSING SYSTEMS:				
Repairs & Maintenance – Replaced with Contract Mngmt & Monitoring	15	15	0	Quarter 4
Tenant H&S	10	0	0	Replaced with Housing Regulator Review
Rechargeable Works	10	0	0	Postponed
Tenancy & Estate Mgmt.	10	10	9.26	Work-in-Progress
HR SYSTEMS:				
Recruitment (Starters and Leavers)	0	10	0.22	Work-in-Progress
GOVERNANCE RELATED:				
Cloud Computing/Digital	10	10	1	Brief issued – Quarter 4
Officers Code of Conduct	10	10	10.67	Finalised – Substantial
Project Management	10	0	0	Postponed
Corporate Advice/CMT	2	2	1.76	Work-in-Progress
s.151 Meetings and support	9	9	9.98	Work-in-Progress
Governance Committee Meetings and Reports	12	12	10.25	Work-in-Progress
Audit Plan Preparation and Meetings	9	9	8.74	Work-in-Progress
POST IMPLEMENTATION REVIEWS:				
Ottaway House	10	10	10.63	Finalised – N/A
Main Accounting System (Tech 1)	5	0	0	Postponed
CONTRACT AUDITS:				
CSO Compliance	13	13	16.60	Work-in-Progress
Service Contract Mgmt.	10	0	0	Postponed
SERVICE LEVEL:				
Climate Change	10	10	6.64	Finalised – N/A

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2021	Status and Assurance Level
CCTV	10	10	10.61	Finalised - Substantial
Contaminated Land, Air & Water Quality	10	10	2.58	Brief issued – Quarter 4
Grounds Maintenance	12	12	0.32	Brief issued
Licensing	12	12	13.84	Finalised - Reasonable
Phones, Mobiles & Utilities	10	0	0.37	Postponed
Garden Waste & Recycling Income	10	10	0.18	Work-in-Progress
OTHER				
Liaison with External Auditors	1	1	0	Work-in-Progress
Follow-up Work	15	15	14.91	Work-in-Progress
FINALISATION OF 2020-21- AUDITS				
Environmental Health Protection Requests	5	60	1.39	Finalised - Substantial
Treasury Management			0.68	Finalised - Substantial
Land Charges			10.68	Finalised - Reasonable
Playgrounds			14.08	Finalised - Reasonable
Housing Regulator Review			20.80	Finalised - Reasonable
Planning Enforcement			10.11	Finalised - Reasonable
Responsive Work:				
HRA Properties Data Match	0	3	2.99	Finalised
Staff Related Matter	0	10	10.35	Finalised
Tech One Assistance	0	0	1.69	Finalised
Lessons Learned Review	0	5	5.97	Finalised
Exit Interview Investigation	0	2	1.28	Finalised
Homes England Grant Certification	0	10	9.98	Finalised
TOTAL	**290**	**300**	**231.76**	**77.25%**

(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 31/ 12/21	Status and Assurance Level
EKS Reviews;				
Council Tax	15	15	10.65	Finalised - Substantial
Housing Benefit Testing	15	15	12.60	Ongoing
Housing Benefit Payments	15	15	13.73	Work-in-Progress
Customer Services	15	0	-	Postponed
ICT – Change Controls / Updates	15	15	0.20	Quarter 4
ICT – Procurement & Disposal	15	15	0.14	Quarter 4
KPIs	5	5	0.74	Quarter 4
Payroll	18	18	16.42	Finalised - Substantial
EKHR	32	0	0.20	Trs to partner councils
Other;				
Corporate/Committee	8	8	6.49	Ongoing
Follow Up	3	3	2.69	Ongoing
Housing Benefit Verification Framework	0	1	0.95	Finalised – N/A
Restart Grants	0	6	6.59	Finalised - N/A
Finalisation of 2020/21 Audits:				
ICT Disaster Recovery	5	1	0.35	Finalised - Reasonable
Housing Benefit Testing		5	5.45	Finalised – N/A
ICT Software Licensing		9	9.63	Finalised - Reasonable / Ltd
Total	**160**	**128**	**86.83**	**67.84%**

(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 3

INTERNAL PROCESSES PERSPECTIVE:	**2021-22 Actual**	**Target**	**FINANCIAL PERSPECTIVE:**	**2021-22 Actual**	**Original Budget**
	Quarter 3		Reported Annually		
Chargeable as % of available days	90%	80%	• Cost per Audit Day	£	£356.35
			• Direct Costs	£	£459,443
Chargeable days as % of planned days					
CCC	59.31%	75%	• + Indirect Costs (Recharges from Host)	£	£10,945
DDC	77.25%	75%			
TDC	68.42%	75%	• - 'Unplanned Income'	£	Zero
FHDC	79.68%	75%			
EKS	67.84%	75%			
Overall	71.89%	75%	• = Net EKAP cost (all Partners)		£470,388
Follow up/ Progress Reviews;					
• Issued	49	-			
• Not yet due	15	-			
• Now due for Follow Up	17	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

CUSTOMER PERSPECTIVE:	**2021-22 Actual** Quarter 3	**Target**
Number of Satisfaction Questionnaires Issued;	**46**	
Number of completed questionnaires received back;	**19** = **41%**	
Percentage of Customers who felt that;		
• **Interviews were conducted in a professional manner**	**95%**	**100%**
• **The audit report was 'Good' or better**	**100%**	**90%**
• **That the audit was worthwhile.**	**100%**	**100%**

INNOVATION & LEARNING PERSPECTIVE: Quarter 3	**2021-22 Actual**	**Target**
Percentage of staff qualified to relevant technician level	**74%**	**74%**
Percentage of staff holding a relevant higher level qualification	**38%**	**38%**
Percentage of staff studying for a relevant professional qualification	**15%**	**N/A**
Number of days technical training per FTE	**4.99**	**3.5**
Percentage of staff meeting formal CPD requirements (post qualification)	**38%**	**38%**

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:	**DRAFT INTERNAL AUDIT PLAN 2022-23**
Meeting and Date:	**Governance Committee – 17th March 2022**
Report of:	**Christine Parker – Head of Audit Partnership**
Decision Type:	**Non-key**
Classification:	**Unrestricted**
Purpose of the report:	This report sets out the proposed Internal Audit Plan for 2022/23 detailing a breakdown of audits and an analysis of available days.
Recommendations:	That Members approve the Council's Internal Audit Plan for 2022/23

Summary.

This report sets out the draft plan of work for the forthcoming 12 months for approval.

1.0 Introduction and Background.

1.1 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.

1.2 In accordance with current best practice, the Governance Committee should "review and assess the annual internal audit work plan". The purpose of this report is to help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 Audit Mission & Charter.

2.1 The Audit Mission is a simple high-level statement setting out the objectives for the service, this was approved in March 2020 and no changes are currently proposed.

The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP, supported by an agreed Audit Charter, is to build a resilient service that provides opportunities to share best practice between the four councils and East Kent Services acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.

EKAP provides an independent, objective assurance and consulting activity designed to add value and improve the councils' operations. It helps the partners accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission for internal auditing (linked to the definition above) is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight reflecting each Councils' Corporate Objectives.

2.2 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.

2.3 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.

2.4 The Audit Charter is a document that does not materially change from year to year and consequently it was agreed in March 2020 that it be approved for the next three years (to 31st March 2023) with the caveat that should any significant changes be required a revised Charter will be presented for consideration. There have been no required changes during 2021/22 and therefore this document will next be brought back for approval to this Committee in March 2023.

3.0 Risk Based Internal Audit Plan.

3.1 The Audit Plan for the year 2022 to 2023 is attached as Annex A and has the main components to support the approved Audit Charter. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PISAS). A draft risk based plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.

3.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the links to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.

3.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. The annual "Risk in Focus" report provides an opportunity to track how risk priorities are developing over time. A number of dominant themes are emerging. Climate change and environmental sustainability has gained in prominence more than any other risk type over the past three years. It is a moving target that organisations will have to make continuous efforts to mitigate for decades to come. This should therefore be considered a "forever risk" that is likely to move up the risk rankings over time. Risks related to business continuity, crisis management and disasters response have been heavily impacted by recent events, and the same is true of health, safety & security, Human capital, diversity and talent management and organisational culture. These latter three have a clear human capital element to them. Organisations have been forced to flex and adapt over the past 18 months, protecting their workforces from harm as health risks sharply escalated. As the pandemic has rolled on for longer than many expected, organisations have had to think about the psychological wellbeing of their staff and what socially distanced and remote working conditions mean for staff cohesion and culture. The top ten identified risks through 'Risk In Focus' survey have been considered for inclusion in the 2022/23 plan as follows;

1 **IT Security- Response & Recovery** – It is predicted that Cybersecurity and data security will become somewhat less of a risk over the next three years, although this is relative. It is still expected to dominate the risk rankings and any threat mitigation will come from the fact that organisations are becoming better equipped at managing and minimising the risk of attacks and data breaches. For now, it remains the number one concern. Attention is focussed on response and recovery processes and procedures, and what to do in the event of ransomware events, to be confident to know how to respond if struck and can bring operations back online with minimal disruption by following established protocols. Naturally, the best means for avoiding disruption is by preventing attacks in the first place. This is why the human element is so important. It is estimated that 97% of phishing emails now contain some form of ransomware, and that 95% of IT security breaches result from human error. Staff training and awareness is the most effective way of minimising the likelihood of staff clicking on malicious links and harmful attachments (e.g. .doc, .dot and .exe files). The audit plan for 2022/23 covering this area is part of the EKS Plan which has 30 days for IT Security.

2 **Rising Sustainability Regulations** – Arguably more impactful on the Financial and Banking sectors, however the research almost universally spoke of the increasing regulations their organisations face, with attention quickly turning to sustainability reporting. The aims are to make sustainability reporting more consistent, so that investors and the public can use comparable and reliable information. It is not an EKAP function to ensure compliance with regulations, but 'New legislation' is a risk factor we consider for each area within the audit plan. Having considered two key questions in drafting this plan it has been decided not to set any specific time to this area in 22/23, and to maintain a watching brief on how these new regulations may affect the public sector. A) How well developed is the governance around sustainability reporting? For example, are roles and responsibilities clearly defined? B) Does the organisation have a system of prioritising regulations, whether related to sustainability or otherwise, and does it take an appropriately risk-based approach to managing compliance?

3 **Accelerated Digitalisation** – the risks and opportunities associated with digitalisation and the pace of this change were highlighted as a priority area of attention. With digitalisation shifting up a gear, the risk is whether the business model is being sufficiently adapted to meet the new digital reality, whether core risk management principles are being embedded into projects. Additionally, IT functions will need to ensure they know exactly what projects are in development and apply appropriate permissions controls so that critical data is not lost or misappropriated. All digital projects throughout the organisation should be mapped to check that this matches the current activities. In the broadest sense, this should check that digital projects, big and small, uphold the same standards expected of more traditional projects directly managed by the IT function, and confirm that there is appropriate oversight from the information security team. Time for a view of Digital/Cloud Based Computing (coupled with a post implementation review of the Tech 1 financial management system) was included in the agreed 2021-22 plan and work has commenced on this and will be completed in Quarter 1 of 2022-23.

4 **Workforce Fatigue and Cultural Erosion** – The review elicited opinions of risks not only on talent management and skills shortages, but the impact that remote working and hybrid models might be having on culture, irrespective of any productivity benefits. The lack of social interaction between colleagues may be eroding team cohesion and culture. If people feel less connected to their teammates and are unable to clearly see how their work contributes to the greater good of the organisation and its purpose, they could begin to stray. Disengagement has the potential to increase fraud and other misconduct as staff lose their sense of loyalty and put their own interests before the interests of their colleagues and the organisation. This may be compounded by limited oversight from management, which can result in the weakening of the soft controls environment and poorer internal communications and reporting, increasing the

likelihood of undesirable behaviour. As effective as online collaboration tools and videoconferencing software have been in keeping the wheels turning and people connected virtually, there is no substitute for in-person interaction. It may be too early for internal audit to conduct formal assessments of how effectively behavioural and cultural risk is being managed, given the fluidity of the present situation, the plan does have an allocation which could be used to gain an understanding of efforts being made to promote the organisation's core values and mission, identify what steps the organisation is taking to check in with staff (e.g. staff surveys), measure whether staff turnover is increasing, and how long it takes to fill vacant positions, determine whether talent management (to continuously attract and retain employees) is working, and whether efforts are being made to promote the organisation's core values and mission to establish and maintain a sound and healthy culture.

5 **Pandemic Response** – The pandemic has been pervasive, simultaneously impacting employees, suppliers and customers across the globe and for a duration previously not considered a possibility. It goes without saying that organisations should be updating their business continuity plans (BCPs). This will require careful examination of how effective crisis responses have been and BCPs should now include a pandemic scenario, incorporating lessons learned to better respond to similar future crises. These will need to include staff safety, supply chain and cyber risk mitigation measures. Greater resilience can be achieved by covering these basics, putting the organisation on a stronger footing should another pandemic or other crisis event occur. The ability to anticipate and plan for future crises is how organisational resilience is achieved. As these arrangements have been tested throughout 2021 there is no additional time planned for the 22/23 audit plan

6 **Financial Resilience** – Last year's Risk in Focus assessment showed that organisations were firmly concentrating on their financial resilience and liquidity, whilst this remains an issue for all organisations, there is a new focus to ensure that key business partners are being monitored. Insolvencies may rise in correlation with the withdrawal of government support, indeed, it has been estimated that insolvency rates will raise by 13%, Services, leisure, hospitality and travel sectors rely on government policy and, approaching two years into the pandemic, the future of businesses in these industries is still in question. Contractor or supplier failure remains a key risk. The longer-term impact of this risk is recognised in the Corporate Risk Register and through the financial modelling and MTPF This area was considered , and whilst no one specific audit review addresses it, the risk will be considered across a number of relevant reviews in 2022-23.

7 **Rising Inflation –** Inflation Risk may make organisations more exposed, facing the need to absorb higher costs. If inflation persists and interest rates rise as the pandemic recedes, banks may be forced to tighten monetary policy. The cost of borrowing will increase. A review of Treasury Management was completed in 2020-21 and concluded Substantial Assurance; a further review is not therefore proposed in 2022-23.

8 **Climate Change and Sustainability –** Climate change carries significant risks and opportunities. Environmental and sustainability risk is now a core risk topic that has firmly come to the fore over the past 12-18 months. At a top level, this should start with reviewing what strategic actions are being taken. These goals may include minimising environmental impacts such as deforestation, chemical waste, greenhouse gas emissions and water consumption; ensuring human rights and the promotion of economic inclusion through the supply chain; and developing products and services that do not harm people or the planet. Through direct activities and those of contractors and third parties. This area was reviewed in 2021/22 and has been allocated 5 days for further review in 22/23.

9 **Supply Chain Strain –** The V-shaped recovery in demand is currently contributing to new inflationary pressures, but a bigger risk than rising costs is short supplies of critical components causing production delays and lost revenues. If organisations are unable to secure vital

supplies, then they cannot provide services. Complicating matters is the unpredictability and unevenness of the economic recovery, which is likely to make demand forecasting a persistent challenge for every link in the supply chain. This may require a change in mindset, from prioritising the lowest price for goods towards greater certainty and resilience. This risk is closely linked to Risks 6 & 7 above; both Contract Monitoring/ Management and CSO Compliance have been recently reviewed in 2021-22.

10 **Health & Safety** – The spread of coronavirus has impacted all manner of risks, however, from a pure health and safety perspective, the challenge is in ensuring that appropriate steps are taken to safeguard the physical and mental wellbeing of staff, customers and suppliers at the same time as maximising productivity and minimising service interruptions. Organisations have a legal obligation to protect their employees and others from harm, so health and safety will remain a prominent risk, even as the pandemic is gradually contained. The HR service has been brought back in house and 10 days have been allocated for a review of Employee Health & Safety in the 2022-23 plan.

3.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.

3.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2022/23 plan at the present time, and the future years are shown as indicative plans only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.

3.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2022/23 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.

3.7 The risk assessment and consultation to date has resulted in;

- 75% Core Assurance Projects- the main Audit Programme
- 3% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
- 0% Corporate Risk – testing the robustness of corporate risk mitigating action
- 22% Other Productive Work – Corporate meetings, follow up, general advice, liaison

Total number of audits 24.

For 2022/23 the days available for carrying out audit is 300 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review undertake 24 audits.

The detailed draft audit plan is contained in Appendix A.

4.0 Benchmarking the level of Internal Audit Provision.

4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Dover District Council of 300 days plus their share of the EKS audit plan totals 343. The Dover plan is therefore 14.25% less well-resourced than the Kent average.

5.0 Head of Internal Audit Opinion of the 2022/23 Internal Audit Plan.

5.1 This report is presented to Members by the Council's Strategic Director (Corporate Resources) whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.

5.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2022/23 internal plan presented for Members' consideration is less well-resourced than the Kent average and accordingly our overall audit opinion at the end of the year will be limited to commenting on the systems of internal control that have been examined. The current resources of the EKAP will allow for an opinion to be given on the Council's key risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement.

5.3 The Head of the East Kent Audit Partnership highlights that Members either approve the 2022/23 internal audit plan as drafted or they may recommend to Cabinet that additional resources should be allocated to bring the plan up to the Kent average. This would require an additional 57 days per annum, which at an estimated cost per audit day of £350 would cost £19,950 per annum.

6.0 Background Papers.

- Internal Audit Annual Plan 2021/22 - Previously presented to and approved 11 March 2021 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Former Audit Mission, Audit Charter and Strategies - Previously presented to and approved at Governance Committee meetings.

Attachments

Annex A Dover District Council draft 2022/23 Internal Audit Plan

CHRISTINE PARKER
Head of Audit Partnership

The officer to whom reference should be made concerning inspection of the background papers is the Head of Audit Partnership, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2160.

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2022-23 planned days	Quarter Prioritised for 2022-23	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days
Financial Governance:								
Capital	CR1	2021-22	Substantial					10
Treasury Management	CR9	2020-21	Substantial				10	
Car Parking & Enforcement	CP1	2019-20	Reasonable				10	
Creditors and CIS		2021-22	21-22 WIP					10
External Funding Protocol	CP1, CP4 & CR 1	2021-22	21-22 WIP					10
Main Accounting System	CP4 & CR1	2021-22	21-22 WIP					10
Income, Cash Collection & Bank Rec.	CP4	2017-18	Substantial/ Reasonable	10	3			
Budgetary Control	CP4, CR1 & CR2	2021-22	21-22 WIP					10
VAT		2018-19	Substantial	10	3			
Insurance and Inventories of Portable Assets		2016-17	Substantial	10	3		10	
General Fund Housing Systems:								
Homelessness	CR4	2018-19	Substantial/ Limited			10		
Housing Allocations and Housing Needs	CP3 & CR4	2015-16	Substantial	10	2			
Private Sector Housing – HMO Licensing & Pte. Sector Service Requests	CP3	2018-19	Limited	10	3			
Right to Buy		2016-17	Reasonable	10	1			
Social Housing Systems:								
Responsive Repairs & Maintenance		2018-19	Substantial/ Reasonable/ Limited	10	2			15
Decent Homes		New Area	To be Assessed				10	
Void Property Management		2019-20	Various			10		
Garage Deposits / Management		New Area	To be Assessed					
Tenant Health & Safety Compliance		2021-22	Reasonable					15
Rent Acounting, Collection & Recovery		2019-20	Substantial			15		
Leasehold Services		2017-18	Reasonable	12	4			
Rechargeable Works		2021-22	21-22 WIP					10
Capital Programme, Planned Maintenance		New Area	To be Assessed			10		
Contract Monitoring & Management		2021-22	21-22 WIP			10		
Contract Letting / Procurement Process/ Specifications		New Area	To be Assessed				10	
Sheltered Housing & Supported Housing		2015-16	Reasonable	10	1			
Tenancy Fraud		2017-18	Limited				15	
Resident Involvement		New Area	To be Assessed					
Tenancy & Estate Management and Inspections		2021-22	21-22 WIP					10
Anti Social Behaviour		2012-13	Reasonable				10	
New Build Capital Programme		New Area	To be Assessed				10	
Energy Efficiiency and Carbon Reduction & Fuel Poverty Programmes		New Area	To be Assessed			12		
HRA Business Plan	CP3	2010-11	Limited				10	
Human Resources:								
Recruitment & Leavers		2021-22	21-22 WIP					10
Absence Management, Annual Leave and Flexi Leave		2018-19	Reasonable	10	1			
Apprenticeships		2018-19	Substantial/ Reasonable				10	
Information Governance:								
Data Protection, FOI and Information Management - Assurance Audit and Consultancy work on compliance monitoring	CP4 & CR10	2020-21	N/A	12	2			
Technocology/Cyber Risks:								
Cloud Computing/Digital		2021-22	To be Assessed					10
Corporate Governance:								
Members' Code of Conduct, Register of Interests, Gifts and Hospitality, and Standards Arrangement	CP4 & CR18	2019-20	Substantial			10		
Officers' Code of Conduct and Gifts and Hospitality	CP4 & CR18	2017-18	Substantial					10
Local Code of Corporate Governance	CP4	2017-18	Reasonable			10		
Complaints Monitoring	CP4	2014-15	Reasonable	10	1			

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2022-23 planned days	Quarter Prioritised for 2022-23	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days
Shared Services Monitoring	CP4, & CR9	2015-16	Reasonable			10		
Scheme of Officer Delegations	CP4	2017-18	Substantial	10	4			
Corporate/Governance Committee		Annually	N/A	32	1 to 4	32	32	32
Project Management	CP4	2017-18	Reasonable					10
Performance Management & Data Quality:								
Performance Management	CP4 & CR17	2016-17	Reasonable/ Limited				15	
Fraud Risk:								
Anti-Fraud & Corruption Assurance mapping		2019-20	N/A	10	2			
Risk Management:								
Risk Management	Informs all Corporate Risks	2018-19	Reasonable			10		
Other:								
Liaison with the External Auditors	N/A	Annually	N/A	1	1 to 4	1	1	1
Previous Year Work in Progress b/fwd	N/A	Annually	N/A	5	1	5	5	5
Follow-up	N/A	Annually	N/A	15	1 to 4	15	15	15
Procurement & Contract Management:								
CSO Compliance	CP4	2021-22	Reasonable/ Limited					13
Service Contract Monitoring	CP4, CR27 & CR31	2021-22	21-22 WIP					10
Receipt and Opening of Tenders	CP4	2020-21	Substantial				10	
Procurement	CP4	2019-20	Reasonable/ Limited			10		
Asset Management:								
Commercial Let Properties and Concessions (incl allotments, Industrial estates, Media Centre, Innovation centre etc)	CP4	2019-20	Reasonable			10		
Commercial Properties - Compliance	CR14 & CR30	New Area	To be Assessed				15	
Service Level Audits:								
Employee Health & Safety	CR20	Previously EKS - Reasonable		10	4			
Cemeteries		2020-21	Reasonable				15	
Safeguarding Children and Vulnerable Groups/DBS Checks	CP3 & CR28	2014-15	Reasonable	10	3			
Community Safety	CP2	2019-20	Substantial			10		
Coastal Management		2013-14	Substantial					
Climate Change		2021-22	21-22 WIP	5	3	5	5	10
CCTV	CP2	2021-22	Substantial					10
Environmental Crime - Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	CP2	2019-20	Substantial			10		
Electoral Registration & Election Management	CP3 & CR14	2019-20	Substantial			12		
Port Health & Public Protection – Food Safety	CP2 &CP3	2018-19	Substantial	10	3			
Port Health & Public Protection - Port Health (Assurance Review)	CP3 & CR5/6	2017-18	Substantial	10	4			
Port Health & Public Protection - Port Health (Initial Consultancy Support)	CP3 & CR5/6	2017-18	Substantial	10	4			
Planning Enforcement	CR12	2020-21	Reasonable				10	
Port Health & Public Protection – Health and Safety at Work	CR8	2019-20	Substantial			10		
Environmental Health - Environmental Protection Service Requests (including Public Health Burials)	CP3	2019-20	Substantial			10		
Environmental Health - Contaminated Land, Air and Water Quality	CP3	2021-22	21-22 WIP					10
Business Continuity and Emergency Planning	CR7,CR19 & CR25	2020-21	Reasonable				12	
Playgrounds	CP3	2020-21	Reasonable				10	
Legal Services						10		
Equality and Diversity	CP3 & CR13	2019-20	Reasonable			10		
Events Management		Pre 2004-05	To be Assessed					10
Grounds Maintenance	CP2 & CP4	2021-22	21-22 WIP					12
Disabled Facilities & Other Grants	CP3	2020-21	Substantial				10	
Land Charges		2020-21	Reasonable				10	

Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2022-23 planned days	Quarter Prioritised for 2022-23	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days
Licensing	CP3	2021-22	Reasonable					12
Museum and VIC	CP1	2019-20	Reasonable			11		
Members' Allowances and Expenses		2020-21	Substantial				10	
Planning Applications, Income and s106 Agreements	CR12	2016-17	Limited/ Substantial	12	2			
Local Plan, Corporate Plan and MTFP	CR12	New Area	To be Assessed	11	4			
Self Build Programme		New Area	To be Assessed			10		
Building Control		2018-19	Reasonable	10	1			
Phones, Mobiles and Utilities - Expenditure and Controls		2021-22	21-22 WIP					10
Printing, photocopying and postage		2019-20	Substantial			10		
Sports and Leisure Centres	CP1 & CP3	2015-16	Reasonable			12		
Entertainment & Catering		New Area	To be Assessed				10	
Whitecliffs Countryside Partnership	CP2	2018-19	Reasonable				10	
Waste Management and Street Cleansing	CP2 & CR13	2018-19	Reasonable/ Limited	15	2			
Garden Waste and Recycling Income	CP2	2021-22	21-22 WIP					10
Total Planned Days:				**300**		**300**	**300**	**300**

EK SERVICES STRATEGIC AUDIT PLAN 2022/26

Plan Area	Year lasted audited	Previous assurance level	2022-23 Planned Days	2023-24 Planned Days	2024-25 Planned Days	2025-26 Planned Days
EK Services - Revenues & Benefits (CIVICA)						
Housing Benefits – Payment	2021/22	Substantial				15
Housing Benefits – Overpayments	2020/21	Substantial			15	
Housing Benefits – Admin & Assessment	2018/19	Substantial		15		
Housing Benefit - Appeals	2019/20	Substantial		15		
Housing Benefit - DHP	2018/19	Reasonable	15			
Housing Benefit - Subsidy	2020/21	Substantial			15	
Housing Benefit Testing	2021/22	N/A	15	15	15	15
Council Tax	2014/15 (2021)	Substantial				15
Council Tax Reduction Scheme	2017/18	Substantial		15		
Customer Services/Gateway	2016/17	Substantial				15
Business Rates	2017/18	Substantial	15			
Business Rates reliefs / credits	2019/20	Substantial			15	
Debtors and rechargeable Works	2018/19	Substantial	15			
Key Performance Indicators	2020/21	Substantial	5	5	5	5
Sub-Total EK Services Planned Days			**65**	**65**	**65**	**65**
EK Services Corporate						
Meetings/ Agree Audit Plan			5	5	5	5
Carried forward / follow up			10	10	10	10
Total EK Services Corporate			18	18	18	18
EK Services - ICT						
ICT – Change Controls / Updates	2016/17 (2021)	Substantial				15
ICT - Data Management	2017/18	Substantial	15			
ICT – Network Security	2018/19	Substantial	15			
ICT – Procurement and Disposal	2017/18 (2021)	Reasonable				15
ICT – Physical and Environment	2019/20	Substantial		15		
ICT - Software Licensing	2020/21	Reasonable / Limited			15	
ICT - PCI-DSS	2018/19	Reasonable / Limited		15		
ICT - Disaster Recovery	2020/21	Reasonable			15	
EKS ICT Total			**30**	**30**	**30**	**30**
EKS Payroll						
EKS Payroll	2021/22	Substantial	**18**	**18**	**18**	**18**
Overall total			**128**	**128**	**128**	**128**

Subject:	**TREASURY MANAGEMENT QUARTER THREE REPORT 2021/22**
Meeting and Date:	**Governance Committee – 17 March 2022**
Report of:	**Helen Lamb – Head of Finance and Investment**
Portfolio Holder:	**Councillor Christopher Vinson – Portfolio Holder for Finance, Governance, Digital and Climate Change**
Decision Type:	**Non-Key Decision**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the Council's treasury management for the year ended 31 December 2021.
Recommendation:	That the report is received.

1. **Summary**

1.1 The Council's investment return for the period to 31 December was £1,074k. The total interest and dividends income forecast to be received for the full year is £1,475k, which is £198k less than the original budget estimate of £1,673k, giving a forecast annualised return of 3.08%. 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 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 December 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 December:

I. *The post COVID global economy has entered a higher inflationary phase, driven by a combination of resurgent demand and supply bottlenecks in goods and energy markets. Geopolitics are also playing a role, driving energy prices upwards which are being passed onto consumers. Tighter labour markets due to reduced participation rates have prompted concerns about wage driven inflation, leading central banks to tighten policy to ensure inflation expectations remain anchored.*

II. *Global inflation is riding high. While some indicators suggest supply bottlenecks in goods markets are easing, oil and gas prices have risen significantly and threaten a more sustained level of uncomfortably high inflation than previously expected. In the UK, Ofgem has confirmed a significant rise in retail energy prices, which will maintain relatively high CPI rates throughout 2022.*

III. *Supply constraints are also evident in the labour market. Underlying wage growth is running above pre COVID levels despite employment being lower now than in early 2020. Evidence suggests that labour pools have diminished. Higher wage growth will be a contributory factor to sustained above target inflation this year.*

IV. *The lower severity of Omicron means that the economic impact should be limited. The UK economy had a weak Q4 2021 due to the virus, but growth is likely to bounce back in Q1 2022.*

V. *However, higher inflation will dampen demand. In the UK, households face a difficult outlook. Fiscal and monetary headwinds alongside a sharp reduction in real income growth will weigh on disposable income, ultimately leading to slower growth.*

VI. *The Bank of England will tighten policy further over the next few months to ensure that aggregate demand slows to reduce business pricing power and labour wage bargaining power. Markets have priced in a significant rise in Bank Rate, but we believe the MPC will be more cautious given the medium-term outlook, assessing the impact of the first round of rises rather than following the market higher.*

VII. *Bond yields have risen sharply to accommodate tighter monetary policy, including the runoff of central bank bond portfolios. The interplay between slowing growth and falling inflation, and tightening policy, will likely keep yields relatively flat."*

4. **Annual Investment Strategy**

4.1 The investment portfolio, as at the end of December 2021, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £71.3m, decreasing to £67.9m at the end of January. The decrease 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 31st December 2021, the Council's investment portfolio totalled £50m (see Appendix 2). Cashflow funds were higher than anticipated (£21.3m at 31 December 2021), this was due to the Council receiving a £7.7m grant from DEFRA for Port Health.

4.3 Cashflow funds have since decreased (to £17.9m at 31 January 2022) 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 December 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. Appendices

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

Appendix 2 – Investment portfolio as at 31 December 2021

Appendix 3 – Borrowing portfolio as at 31 December 2021

Appendix 4 – Investment portfolio as at 31 January 2022

10. Background Papers

Medium Term Financial Plan 2021/22 – 2024/25

Contact Officer: Dani Loxton, extension 2285

Treasury Management Report Q3 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 2021 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, together with higher inflation and higher interest rates were major issues over the period.

The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 but maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously but notes that Omicron could weaken the demand for labour.

UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% y/y from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

Government support in the form of the furlough scheme ended on 30th September 2021 but the subsequent impact on jobs appears to have been more muted than previously been feared. In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

Gross domestic product (GDP) grew by 1.1% in the third calendar quarter of 2021 according to the final estimate (initial estimate 1.3%), compared to a gain of 5.4% q/q in the previous quarter, with the annual rate slowing to 6.8% from 23.6%. The data however predates the escalation in virus infections caused by the Omicron variant in December which will very likely result in a slowdown in activity in Q4.

GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following an upwardly revised gain of 2.2% in the second quarter and decline of -0.2% in the first. Headline inflation has been strong, with CPI registering 5.0% year-on-year in December, the sixth successive month of inflation. Core CPI inflation was 2.6% y/y in December, unchanged from November but well up from July's recent low of 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at an upwardly revised annualised rate of 2.3% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% respectively in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

Financial markets: Ongoing monetary and fiscal stimulus together with rising economic growth supported equity markets over the period, but higher inflation and the prospect of higher interest rates mixed with a new coronavirus variant ensured it was a bumpy period. The Dow Jones hit another record high during the quarter 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 dominated bond yield movements over the period as initial expectations for transitory price increases turned into worries higher inflation was likely to persist for longer meaning central bank action was likely to start sooner and rates increase at a faster pace than previously thought.

The 5-year UK benchmark gilt yield began the quarter at 0.62% before rising to 0.82%. Over the same period the 10-year gilt yield fell from 1.00% to 0.97% and the 20-year yield declined from 1.35% to 1.20%.

The Sterling Overnight Rate (SONIA) averaged 0.07% over the quarter.

Credit review: Relatively benign credit conditions caused credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly but have since continued their downward trajectory.

The pronounced gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow and has now all but disappeared. At the end of the period Barclays Bank Plc was trading the highest at 53bps and Santander UK Plc the lowest at 26bps. The other ringfenced banks were trading between 34-37bps and Nationwide Building Society was 44bps.

There were a small number of credit rating and outlook changes over the period with Moody's downgrading DZ Bank to Aa2 and upgrading Co-operative Bank to Ba3 while Fitch revised the outlook on Australia and Rabobank to stable and S&P upgraded Nationwide BS, Standard Chartered Bank and Danske Bank to A+.

The ongoing vaccine rollout programme is credit positive for the financial services sector in general but there remains uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, but 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 for UK and non-UK institutions whereby the maximum duration for all recommended counterparties were 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**

Low 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 31st December 2021 and the change during over the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £000	**Movement £000**	**31.12.21 Balance £000**	**31.12.21 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	

	31.3.21 Balance £000	Movement £000	31.12.21 Balance £000	31.12.21 Rate %
Cash and cash equivalents	7,765	13,513	21,278	
Total investments	**57,318**	**13,964**	**71,282**	**3.08%**
Net borrowing	**34,313**		**14,137**	

Cash and cash equivalents increased by £13.5m due to £7.7m grant funding received from DEFRA for Port Health operational set up and higher than anticipated cash flow balance at end of December.

Borrowing Update

CIPFA published a revised Prudential Code for Capital Finance in Local Authorities on 20th December 2021. The Code took immediate effect although local authorities may defer introducing the revised reporting requirements until the 2023/24 financial year if they wish.

In order to comply with the Code, authorities must not borrow to invest primarily for financial return. The Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure.

The changes align the CIPFA Code with the PWLB which prohibits access to authorities planning to purchase 'investment assets primarily for yield' 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.

The Authority was not planning to borrow to invest primarily for commercial return and so is unaffected by these changes.

Borrowing Strategy during the period

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

Table 3: Borrowing Position

	31.3.21 Balance £000	Net Movement £000	31.12.21 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 term 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, 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 gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Management Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

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 £71.2m and £53.7m million 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	31.12.21 Balance £000	31.12.21 Income Return %
Banks & building societies (unsecured)	7,764	3,164	10,928	0.10%
Money Market Funds	5	10,349	10,354	0.10%
Other Pooled Funds				
- *Short-dated bond funds*	8,032	(32)	8,000	
- *Strategic bond funds*	8,386	(386)	8,000	
- *Property funds*	5,585	415	6,000	
- *Multi asset income funds*	27,546	454	28,000	
Other pooled funds sub-total	49,549	451	50,000	3.46%
Total investments	**57,318**	**13,964**	**71,282**	

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.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) remain very low with rates ranging from 0% to 0.1% depending on the length of deposit.

The Authority's investments are diversified into more secure and/or higher yielding asset classes as shown in table 4 above. £50m that is available for the longer term investment is invested 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%
31.12.2021	5.13	A+	100%	1	4.14%
Similar LAs	4.64	A+	68%	37	2.79%
All LAs	4.64	A+	66%	16	1.95%

Externally Managed Pooled Funds: £50m of the Authority's investments are 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 longer-term price stability. These funds generated an average total return of 5.67%, comprising a 2.03% income return which is used to support services in-year, and 3.64% of unrealised capital growth.

The Authority is invested in bond, multi-asset and property funds. The improved market sentiment in the past 9 months is reflected in 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 have however 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 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 £1,673k income from these investments in 2021/22.

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily 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.

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 £000	**Budget £000**	**Over/ under**	**Actual %**
Interest Received	1,475	1,673	(198)	3.08%
Interest Payable	2,521	2,521	0	3.46%

Compliance

The Strategic Director of Corporate Resources reports that all treasury management activities undertaken during the year 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 8 below.

Table 7: Debt Limits

	31.12.21 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

	31.12.21 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	£10.4m	£10m per fund	✓
Strategic pooled funds	£50m	£10m per fund	✓
Operational bank	£10.9m	£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.

	31.12.21 Actual	2021/22 Target	Complied?
Portfolio average credit rating	5.13	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 / it can borrow each period without giving prior notice.

	31.12.21 Actual	2021/22 Target	Complied?
Total cash available within 3 months	£21.3m	£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	31.12.21 Actual	2021/22 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	500	500	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates	500	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:

	31.12.21 Actual	**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?	✓	✓	✓

<u>Other Revisions to CIPFA Codes</u>

CIPFA published revised Prudential and Treasury Management Codes in December 2021. The Prudential Code takes immediate effect although detailed reporting requirements may be deferred until the 2023/24 financial year and have thus not been included in this report. There is no mention of the date of initial application of the TM Code.

The accompanying guidance notes to the Codes including the treasury management prudential indicators have not yet been published. The main changes or expected changes from previous codes that have not already been discussed above include:

- Additional reporting requirements for the Capital Strategy.
- 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).
- Forward looking prudential code indicators must be monitored and reported to members at least quarterly.
- A new indicator for net income from commercial and service investments to net revenue stream.
- Inclusion of the liability benchmark as a 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.
- Credit and counterparty policies should set out the Authority's policy and practices relating to Environmental, Social and Governance (ESG) investment considerations.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making.

Arlingclose's Outlook for the remainder of 2021/22 and beyond

	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	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Arlingclose expects Bank Rate to rise again in Q1 2022. We believe the MPC will want to build on the strong message it delivered in December month by tightening policy despite Omicron uncertainty.

Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.

Gilt yields are expected to remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.

Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.

The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

The global recovery from the pandemic has entered a more challenging phase. The resurgence in 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. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.

Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.

The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.

These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.

The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.

Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.

The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

In-house as at 31/12/21 **APPENDIX 2**

Organisation	Issue Date	Book cost	Market value	Market yield %	Credit Rating	Options available
In-house investments - Long Term						
CCLA Property investment Fund	30/06/17	3,000,000	3,190,801	3.69%	UK - Gov 'AA'	*5 Years +*
CCLA Property investment Fund	31/07/17	3,000,000	3,184,130	3.69%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5,769,919	3.76%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	6,178,090	2.24%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	7,996,760	0.46%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,923,306	3.76%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,923,306	3.76%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	8,428,566	2.57%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	2,174,881	2.24%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	8,304,825	5.95%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,971,096	5.95%	UK - Gov 'AA'	5 Years +
		50,000,000	**51,045,681**			
		50,000,000	**51,045,681**	**Total Portfolio**		

Cashflow:			Rate
Call Accounts/MMF (as at 31/12/21)			
Global Treasury Fund (Goldman Sachs Money Market Fund)		354,106	0.01%
Standard Life Investments (Money Market Fund)		10,000,000	0.01%
Natwest SIBA		10,922,559	0.10%
Santander		502.52	0.05%
Bank of Scotland		4,977	0.10%
Barclays		374	0.00%
	Total Cash flow	**21,282,518**	
	Total Portfolio and Cashflow	**71,282,518**	

Dover District Council Borrowing - 2021/22

APPENDIX 3

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	06/10/21	06/01/22	On Maturity		0	0.04	6,000,000	0	605	Shropshire Council	Short term loan for Strategic cash flow purposes
Fixed	10/11/21	10/02/22	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**	**983**		*Sub-total*
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**	**2,522,073**		

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APPENDIX 4

Organisation	Issue Date	Book cost	Market Value	Market yield	Credit rating	Options available
In-house investments - Long Term						
CCLA Property investment Fund	30/06/17	3,000,000	3,209,852	3.69%	UK - Gov 'AA'	*5 Years +*
CCLA Property investment Fund	31/07/17	3,000,000	3,203,141	3.69%	UK - Gov 'AA'	*5 Years +*
Investec Diversified Income Fund	15/12/17	6,000,000	5,643,044	3.76%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	6,079,086	2.24%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	7,975,266	0.46%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	1,881,015	3.76%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	1,881,015	3.76%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	8,128,318	2.57%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	2,140,029	2.24%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	8,128,425	5.95%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	1,929,228	5.95%	UK - Gov 'AA'	5 Years +
		50,000,000	**50,198,419**			
		50,000,000	**50,198,419**	**Total Portfolio**		

Cashflow:

Call Accounts/MMF (as at 31/01/22)		Rate
Global Treasury Fund (Goldman Sachs Money Market Fund)	354,106	0.01%
Standard Life Investments (Money Market Fund)	10,000,000	0.01%
Natwest SIBA	7,588,147	0.10%
Santander	502.52	0.05%
Bank of Scotland (BOS)	4,977	0.10%
Barclays	374	0.00%
Total Cash flow	**17,948,106**	