

# West Devon Audit Committee



West Devon  
Borough  
Council

<b>Title:</b>	<b>Agenda</b>
<b>Date:</b>	<b>Tuesday, 15th March, 2022</b>
<b>Time:</b>	<b>2.00 pm</b>
<b>Venue:</b>	
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Davies <b>Vice Chairman</b> Cllr Ball</p> <p><i>Members:</i> Cllr Bolton Cllr Ridgers Cllr Bridgewater Cllr Yelland Cllr Renders</p>
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
<b>Committee administrator:</b>	Democratic.Services@swdevon.gov.uk

**1. Apologies for absence**

**2. Declarations of interest**

In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;

**3. Items Requiring Urgent Attention**

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any).

**4. Confirmation of Minutes**

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Meeting held on 7 December 2021

**5. Pensions presentation by Devon County Council**

**6. Grant Thornton Audit Progress Report**

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**7. 2022/23 Internal Audit Progress Report**

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**9. 2022/23 Capital Strategy, Treasury Management Strategy and Investment Strategy**

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**13. Review of Confidential Reporting Policy**

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# Agenda Item 4

At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **7th** day of **December 2021** at **9.30am**

**Present:** Cllr M Davies (Chairman)  
Cllr K Ball  
Cllr A Bridgewater  
Cllr M Renders  
Cllr J Yelland

**Officers in attendance:** Section 151 Officer  
Deputy Section 151 Officer  
Internal Auditor  
Head of Strategy and Projects  
Director of Place and Enterprise  
Democratic Services Officer

**Also in attendance:** Cllr C Edmonds (lead Hub Committee Member). Cllr N Jory (Leader of the Council)

**Apologies were received from:** Cllr P Ridgers

**\*AC 15 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 2 November 2021 were confirmed by the Committee as a true and correct record.

**AC 16 EXTERNAL AUDITOR APPOINTMENT**

The Hub Lead Member introduced the report to Members. With no questions;

It was then **RESOLVED** that:

The Audit Committee **RECOMMENDS TO COUNCIL** that West Devon Borough Council opts into the national arrangement for the procurement and appointment of external auditors, through Public Sector Audit Appointments (PSAA), by 11 March 2022.

**\*AC17 UPDATE ON PROGRESS ON THE 2021/22 INTERNAL AUDIT PLAN**

The Hub Lead Member introduced the report to Members. The Internal Auditor then took Members through the Audit Plan. He explained that due to staff being used for the processing of grant money, progress of the plan had suffered. He said it is his intention to undertake a review of the Audit Plan with the S151 Officers and the Director of Governance to identify audits that can go ahead and those to be delayed or cancelled.

In discussion, reference was made to:-

- High risk areas being contract management – Leisure and waste being the main ones.
- Service review of Revenues and Benefits - to ensure all recommendations are captured.
- Collection from pay & display machines, with officers providing further detail to Members around the process for emptying of the pay and display machines.

It was then **RESOLVED** that:

The progress made against the 2021/22 internal audit plan, and any key issues arising were noted and approved.

**\*AC18**

**SUNDRY DEBT UPDATE**

The report was introduced by the Hub Lead Member.

In discussion, reference was made to:-

- A Member commented on the fact that debt had gone down during the challenging times was very positive.
- Overpayment of benefits was queried. It was confirmed that collection was able to be made via attachment of earnings or via repayment plans. Letters were sent out signposting people to organisations which could offer help during the covid pandemic to those that needed it.

It was then **RESOLVED** that the Sundry Debt Update be noted.

**\*AC19**

**TREASURY MANAGEMENT MID-YEAR REPORT 2021/22**

The Mid-Year report was introduced by the Lead Hub Member. The S151 Officer explained the new CIPFA principles for 2022. They will be introducing a soft launch and delaying for 2023/24. There will be new indicators such as liability benchmarking in regard to debt. Evidence needed to be provided on a yearly basis on holding investment property.

It was then **RESOLVED** that the Treasury Management Mid-Year Report 2021/22 be noted.

**\*AC20**

**STRATEGIC RISK UPDATE**

The Leader of the Council introduced the report. He noted that one strategic risk had moved into the red zone. This was the risk of Cyber-attacks with staff moving to home working during the covid pandemic. The Head of Strategy and Projects stated they were working alongside other councils and learning lessons from them. He then explained issues with waste management in regard to the national HGV driver shortage and staff shortage due to sickness. Members commented on how they had seen an improvement in service and how hard the teams are working within their wards. A Member asked if a formal update on the waste situation could be sent out to all Members along with an item put on social media in regard to how hard the crews were working. An



update to the Audit Committee would be made in regard to the cyber-attack risk.

It was then **RESOLVED** that the Committee noted the Strategic Risk Update Report.

**\*AC21**

**INVESTMENT PROPERTY UPDATE AND MONITORING REPORT**

The Lead Hub Member introduced the report to Committee. The Director of Place and Enterprise gave an update on investment properties and market conditions. He stated that the market before the pandemic was strong, when the pandemic hit there was a pause in the market. However new lettings finished 80% up of the five year average. Quarter four of this year is looking strong and will finish on the five year average.

It was then **RESOLVED** that the Committee noted the performance and risks of the Investment Property Portfolio to date.

**\*AC22**

**AUDIT COMMITTEE WORK PROGRAMME**

The S151 confirmed DCC will attend the 15 March 2022 meeting to give a presentation on pensions.

(The Meeting terminated at 10.35am)

Dated this

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Chairman

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# West Devon Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

March 2022  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

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

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

# Progress at March 2022

## Financial Statements Audit

We will undertake our initial planning and interim audit for the 2021/22 audit in March 2022. We intend to begin our work on your draft financial statements in July.

At the end of March or early April we anticipate issuing our detailed audit plan, setting out our proposed approach to the audit of the Council's 2021/22 financial statements. We have not been able to issue our plan at this Committee meeting due to on-going fee discussions with PSAA and a CIPFA Code consultation which potentially impacts the scope of our work.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to 31 July at the latest. The target date by which authorities are required to publish audited financial statements for the 2020/21 financial year has been confirmed as 30 November 2022.

## Value for Money

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

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. As for the 2020/21 financial year, the extended deadline for the issue of the Auditor's Annual Report is no more than three months after the date of the opinion on the financial statements.

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# Progress at March 2022 (cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in November. DWP extended the deadline for reporting the findings of this work to 28 February 2022. We completed our work ahead of this deadline.

### Meetings

We met with Finance Officers in January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

## Events

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

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

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	March/April 2022	As per page 4
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	June 2022	Not yet due
<p><b>Audit Findings Report</b></p> <p>It is anticipated that the Audit Findings Report will be reported to the September Audit Committee, subject to the agreed date of receipt of draft financial statements.</p>	September 2022	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements, subject to the agreed date of receipt of draft financial statements.</p>	September 2022	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	TBC	TBC
2020/21 Audit-related Deliverables	Planned Date	Status
<p><b>Housing Benefit Subsidy – certification</b></p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	28 February 2022	Complete – submitted 23 February 2022



# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Page 14 Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# FRC report (cont.)

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

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

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

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

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

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

Public Sector

Local  
government

# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July 2021.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

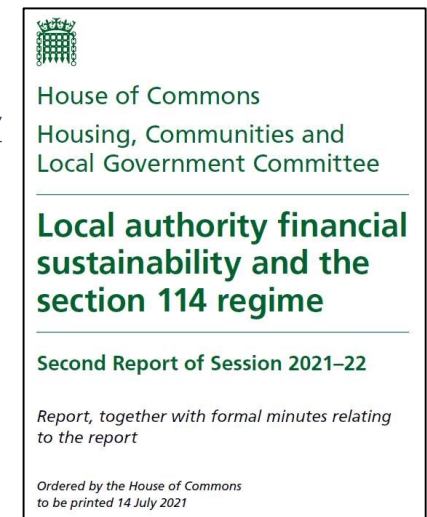
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting on local government in England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

# 2023-24 audit appointments – Public Sector

## Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022. West Devon Borough Council has opted-in to the PSAA procurement.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>



# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

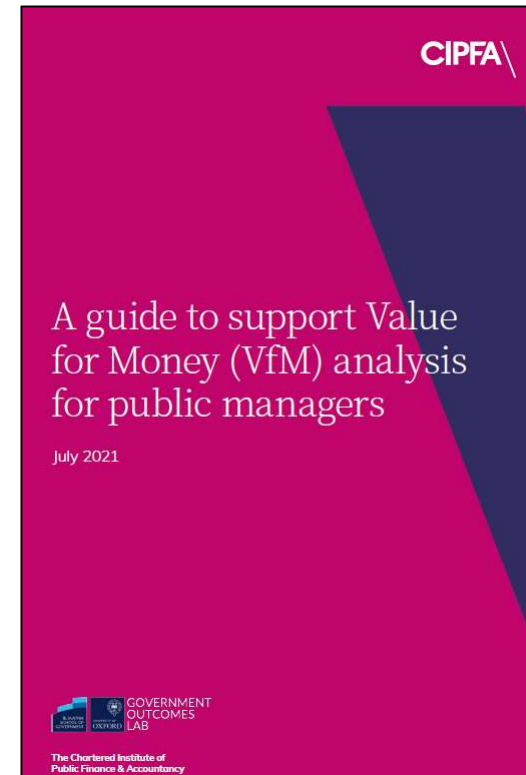
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.





# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

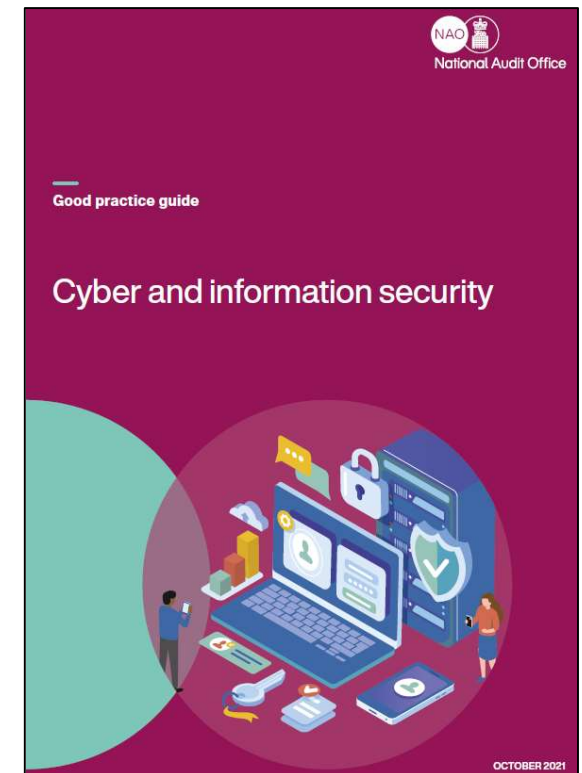
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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Report to: **Audit Committee**

Date: **15 March 2022**

Title: **Update on Progress on the 2021-22 Internal Audit Plan**

Portfolio Area: **Performance & Resources - Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

Author: **Dominic Measures** Role: **Audit Manager**  
**Robert Hutchins** **Head of Partnership**

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**RECOMMENDATION:**

**It is RECOMMENDED that the progress made against the 2021/22 internal audit plan, and any key issues arising are noted and approved.**

## 1. Executive summary

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2021/22 to 4 February 2022, by:

- Showing the progress made by Internal Audit against the 2021/22 annual internal audit plan, as approved by the Audit Committee in April 2021; and
- Highlighting any revisions to the 2021/22 internal audit plan;

## 2. Background

The Audit Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2021/22 was presented to the Audit Committee on 6th April 2021.

Progress in the period up to 4 February has continued to be impacted by the pandemic with both the completion of the 2020/21 plan and, in turn, work on the current year plan. Half of the Internal Audit resources has continued to assist officers in the payment of various grants to businesses, in particular the evaluation/reviewing of applications. Out of 417 productive days so far across the Audit team, 194 days have been spent on COVID Business Grant processing.

At the South Hams Audit Committee meeting in July 2021, Members recommended to the Council's Executive to procure an extra 0.5 Full Time Equivalent (FTE) of Internal Audit resource from Devon Audit Partnership for the 2021/22 Financial Year, to backfill for the loss of Internal Audit staff time that has been used to administer the COVID Business Grants for the Council. The Executive approved this at a meeting on 16<sup>th</sup> September 2021 and additional resources are now working alongside the existing Audit Team and will continue to do so over the next two or three months.

A review of the plan has taken place with the Section 151 officer and Director of Governance and Assurance to decide on which audits should go ahead in the remainder of the audit year and those which can be either cancelled or deferred into 2022/23.

I can inform the Committee that there has been just one day reported sickness absence in the year to date.

The Council, in association with several partner organisations receive funding from the Rural Development Programme for England (RDPE) – Local Action 2015-2020 programme, with £1.5m awarded to the South Devon Coastal Local Action Group (LAG) and £2.0m to the Greater Dartmoor Local Enterprise Action Fund (LEAF). The Council, as the Accountable Body, is responsible for the legal and financial management of the grants awarded to the programmes. Each project is required to submit regular grant claims to draw down funding. 20 days were allocated to this work for the year in the 2021/22 Audit Plan, of which 18 days had been used as at 4 February. Due to COVID pandemic restrictions, projects across the country could not meet their original deadlines and many had to withdraw resulting in additional funding being made available. LEAF and LAG were successful in winning some of this funding, which has been allocated to approved projects who are required to

submit their final claims by the end of September 2022 with the Council submitting its final running costs claim by 30<sup>th</sup> November 2022.

### **3. Outcomes/outputs**

In carrying out systems and other reviews, Internal Audit assess whether key, and other controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

As already pointed out, progress against the agreed 2021/22 Internal Audit Plan has been impacted by the COVID-19 pandemic with the loss of half of the Internal Audit resources who continues to assist with the processing of Business grant applications throughout the year. However, as well as completing those audits that remained from the 2020/21 plan, work has continued on audits that were underway at the time of the last progress report, a number of which have been completed, with draft and final reports issued. For other audits, fieldwork is either in progress or has been completed and draft reports issued, and we await responses from management on the content of those reports and the recommendations made. Several audits are due to take place over the remainder of the audit year and planning for these reviews is underway. A summary of progress is attached at **Appendix A**, and this provides the detailed position for each audit as at 4 February 2022.

Overall, and based on work performed to date during 2021/22, Internal Audit is able to provide **reasonable assurance** on the adequacy and effectiveness of the Authority's internal control environment. Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk. (please refer to **Appendix B** for definition).

The reporting of individual high and medium priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee, in detail, of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.

**Appendix C** provides a summary of work where the planned work is complete but no audit report produced. This includes information with regards Non-Compliance

with Contract or Financial Procedure Rules, and Fraud / Irregularity issues reported to Internal Audit during the reporting period.

#### 4. Options available and consideration of risk

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

#### 5. Proposed Way Forward

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

#### 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal Audit supports all of the Council's corporate strategy themes.
Climate Change - Carbon /	Y	None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to



Biodiversity Impact		minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

There are three separate appendices to this report; Appendix A, B, and C.

#### **Background Papers:**

Internal Audit Plan 2021/22 as approved by Audit Committee on 6th April 2021.

## Summary of progress against agreed internal audit plan 2021/22 for **West Devon Borough Council & South Hams District Council**

■ Status as reported in previous Progress Reports    ✓ Change to Status between 5 November 2021 and 4 February 2022

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>Work Carried forward from 2020/21</b>									
Housing Benefit 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
Business Rates 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
Council Tax 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
ICT Audit – Access Management 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
COVID-19 – Business Grants – Post Scheme Assurance	■	■	■	■			■		Summary presented to Audit Committee in December 2021
Development Control – Planning Enforcement 20/21	■	■							Awaiting Management Response to draft report

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>2021/22 Plan</b>									
<b>MAIN FINANCIAL SYSTEMS</b>									
Main Accounting System (inc budgetary control)	✓								
Creditor (Payments)	✓								
Debtors (Income Collection)	■	■	■	■			■		Final report issued. Extract provided at Appendix B.
Payroll	✓								
Business Rates	✓								
Council Tax	✓								
Housing Benefits									
Treasury Management	■	■	■	■			■		Final report issued. Extract provided at Appendix B.
<b>Main Financial Systems</b>									

Projects agreed in the Audit Plan	Fieldwork started	Report issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>PLACE &amp; ENTERPRISE</b>									
COVID-19 – Business Grants – Post Scheme Assurance	■	■	-	■	■				Review of Covid 19 - MHCLG Lost Sales, Fees & Charges Compensation Scheme
Estates Property & Rents Follow Up	■	■	■	■			■		Summary presented to Audit Committee in December 2021
Salcombe Harbour (S.Hams) (deferred from 2020-21)	■								
Investment Strategy – (delegations, mgt of risk, project approach)	✓								
Dartmouth Lower Ferry (S.Hams) (deferred from 2020-21)	■								
<b>Place &amp; Enterprise</b>									

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>CUSTOMER SERVICE &amp; DELIVERY</b>									
ICT Audit – Business Continuity & Disaster Recovery									Defer in light of external consultations review
ICT Audit – Incident and Problem Management	■	■	■	■		■			Summary presented to Audit Committee in December 2021
ICT Audit – Change Management									
Locality Officers – Management, roles & scheduling									Defer to 2022-23 with agreement from Director of Governance and Assurance
Response and Recovery to COVID-19									
Building Maintenance – Works Scheduling – Follow-Up									Defer to Q1 of 22-23 to coincide with target dates for implementing agreed actions
Cash Collection & Online Payments	■	■	■	■		■			Summary presented to Audit Committee in December 2021
<b>Customer Service &amp; Delivery</b>									

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments	
					Substantial	Reasonable	Limited	No		
<b>GOVERNANCE &amp; ASSURANCE</b>										
Project Management – Governance and Process										Maturity Assessment Exercise due to commence
Future IT Project	■									
Contract Management - Leisure Management										Defer to 22/23 with agreement of Senior Leadership Team
Corporate Information Management (Data Protection, Filing System Housekeeping)	■									
Change Control – Business Processes										Audit due to commence shortly
Climate Change	■	■	■	■		■				Summary presented to Audit Committee in December 2021
Risk Management Review (deferred from 2020-21)										Audit due to commence before year end.

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>GOVERNANCE &amp; ASSURANCE CONTD</b>									
Performance Management (Data quality) Follow Up	■	■	■	■			■		Final report issued. Extract provided at Appendix B.
Election Teams									
New Payroll/HR system (Procurement, Project Mgt)	■								On-going monitoring of project progress. Attendance at Project Team meetings
<b>Governance &amp; Assurance</b>									

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>OTHER ESSENTIAL ITEMS</b>									
Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee	■	-	-	-	-	-	-	-	Includes attendance at Audit Committee – Internal Audit Annual Report presented to Audit Committee on 1 <sup>st</sup> July 2021
Annual Governance Statement	-	-	-	-	-	-	-	-	Review of the Code of Corporate Governance presented to July & October 2021 Audit Committees under separate cover
Exemptions from Financial Regulations	■								
Grants - Greater Dartmoor Local Enterprise Action Fund (LEAF) & South Devon Coastal Action Group (LAG)	■	-	-	-	-	-	-	-	18 days spent on claims to date. Scheme extended until 30 <sup>th</sup> November 2022
National Fraud Initiative (NFI)	■								
Contingency & Advice	■	-	-	-	-	-	-	-	
<b>OTHER ESSENTIAL ITEMS</b>									



## Summary of Internal Audit Findings 2021/22 – Final Reports

As at 4 February 2022, five final reports have been issued in respect of 2021/22 work with a further five final reports relating to audits that were part of the previous 2020/21 Audit Plan. The conclusions from final reports issued since the last Audit Committee in December, are summarised below.

Subject	Audit Findings	Management Response
<b>2021/22 Audit Plan</b>		
Debtors	<p><b>Limited Assurance</b></p> <p>Due to the impact of the Covid-19 pandemic, formal debt recovery was suspended from March 2020 to May 2021, although some 'soft' recovery took place during this period. Formal recovery procedures were fully reinstated in June 2021. This does mean that some debts that existed prior to the pandemic, have been subject to reduced recovery work for their age.</p> <p>In general, the raising and issuing of invoices to customers is satisfactory. However, issues remain around the timely and effective recovery of outstanding debts. Some of the matters we have noted were reported following our previous review of 2019/20, but it is acknowledged that many officers have experienced additional work pressures for much of the intervening period, as a result of the Covid pandemic.</p> <p>There are a number of areas which would benefit from improved controls and, quite often, this would appear to be linked to the available staff resource:</p> <ol style="list-style-type: none"> <li>1. Where suppressions are required on recovery, these are routinely left open-ended, with reliance placed on them being monitored through the weekly Debt Recovery Exception reports. However, given the number of entries on some of these reports, it is likely that all are not examined in detail each week;</li> <li>2. Invoices with an arrangement to pay by instalments that has not been</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. Officers will look into ways to manage the suspension of recovery action, for example the mandatory setting of an end date on all suppressions and developing a report that specifically identifies accounts or invoices with a recovery suspension, allowing them to be reviewed more readily.</li> <li>2. Agreed. Having lost a Case Manager – Finance role, to help backfill Development Management vacancies, the Case Management – Support Services Finance team are now carrying out a review of processes to see if any further efficiencies can be identified.</li> <li>3. Agreed. The Senior Specialist – Finance (CS) will be asked to lead on this, once other work priorities have been addressed, given that debt levels do not appear to be particularly high at present. There is a need to assess the number and value of debts for which such action would be appropriate, in order to be able to understand the task in hand, as well as the potential benefit of pursuing debt recovery by this means, when compared to the officer time required and associated costs. Best practice will be shared with the Revenue and Benefits team, allowing training to be provided to the Debtors team as necessary.</li> <li>4. Agreed. A meeting of all relevant staff, who feed into the</li> </ol>

Subject	Audit Findings	Management Response
	<p>adhered to, are not being identified promptly as we understand that there is insufficient staff resource to monitor the 'Broken Instalment' reports;</p> <p>3. No sundry debts have recently been sent to the Councils' enforcement agents for recovery although this is currently under review;</p> <p>4. The opportunity to further recover debts through the courts or by means of other legal action, is not currently being utilised, due to a combination of insufficient experience in the Debtors team and insufficient staff resource within the Legal practice. This is currently being reviewed by SLT;</p> <p>5. The majority of Council employees with access to the Civica Financials system continue to use the old version which the software supplier has stated is to be no longer supported. Whilst access to the replacement web-version of the software has been available for some years, it has been found to be less user-friendly and so staff have not migrated to its use; and</p> <p>6. The Councils could be in contravention of the General Data Protection Regulations, as well as their own Retention Policy, by holding a significant amount of aged and/or obsolete data on the debtors system (as well as other Civica Financial modules).</p>	<p>debt recovery process, will be held. The aim will be to identify how the issues raised in the audit report can be addressed.</p> <p>The S151 Officer will raise the issue of timeliness of recovery action with the Senior Leadership Team and the Head of Legal, based around identifying further resource for debt recovery, to allow older debts to be taken through a legal process.</p> <p>The Senior Case Manager (MB) will be asked to extract data from the debtor system, in order to give some initial indication of the level of resource that would be required from the Legal team.</p> <p>This will allow the Head of Legal (DF) to consider whether or not the appropriate level of resource will be available for future assistance or whether there is a business case for engaging further resource.</p> <p>5. Agreed. Familiarisation sessions on the web-based system will be provided by Civica in early December 2021. These will be attended by the Finance COP, Case Managers and a small number of other officers.</p> <p>Training will then be rolled out to budget holders during the remainder of the financial year.</p> <p>6. Agreed. The Senior Specialist – Finance (CS) is to lead on ways of archiving aged and/or obsolete data being held within all the modules of the Civica Financials system but it has been delayed by other work pressures.</p>

Subject	Audit Findings	Management Response
<p>Treasury Management</p>	<p><b>Substantial Assurance</b></p> <p>Based on our review we can confirm that the Councils are adhering to legislative requirements and have appropriate and effective controls in place over the day-to-day treasury management operations. We noted two minor issues, one relating to the authorisation of new users within SunGard, the software used to manage Money Market Funds (MMFs), and one linked to the receipt of statements from one of the MMFs.</p>	
<p>Performance Management Follow Up</p>	<p>Our assurance opinion, after completing follow up work in this area, remains <b>Limited Assurance</b>. However, the overall direction of travel for improvement is positive.</p> <p>Since November 2021, themed performance monitoring reports are being taken to each Overview and Scrutiny meeting, as well as annual updates, to allow delivery of the Corporate Strategy Action Plans to be monitored.</p> <p>Some principles are now in place with respect to performance management and the performance monitoring framework, by virtue of the Corporate Strategies approved in September 2021. However, at the time of our review, not all the actions associated with the framework have been delivered yet and so a number of weaknesses persist. Also, some of the issues we raised last year remain outstanding due to other work pressures:</p> <ul style="list-style-type: none"> <li>• The Data Quality Strategy has yet to be updated and re-published;</li> <li>• Awareness raising is required for all officers around data quality, with more in-depth training for those responsible for recording and maintaining data sets. This should include the need to minimise manual intervention and ensure that data is auditable and validated; and</li> <li>• There is still a need to review those KPIs which are already being recorded and monitored by business areas for continued relevance.</li> </ul>	<ol style="list-style-type: none"> <li>1. Agreed. The Data Quality Strategy will be updated, setting out requirements and responsibilities with respect to data quality, as well as those themes highlighted above, and promoted to all staff.</li> <li>2. Agreed. Efforts will be made to provide data quality training for those officers with key responsibilities for performance measures.</li> </ol> <p>In addition, consideration will be given to requiring all staff to complete a Learning Pool module on data quality, or to raise awareness through other channels.</p> <p>As far as having clear audit trails when producing any data set, previously data trails may have been held in emails etc., but in future will be stored in a central location, most likely on the corporate network.</p> <ol style="list-style-type: none"> <li>3. Agreed. It is intended to review all those performance measures that were being recorded prior to the adoption of the current Corporate Strategies. The focus should be on recording and reporting to members against measures that allow the Councils to benchmark themselves against other local authorities, for example, by using the LG Inform tool.</li> </ol> <p>It is planned to carry out a series of service reviews over the</p>

Subject	Audit Findings	Management Response
	<p>The external auditor's Annual Reports for 2020/21 for each Council (taken to the October/November 2021 Audit Committees) raised an improvement recommendation with regards performance management arrangements. Whilst data quality is an area that they also feel requires improvement, they did not make any further recommendations as they consider that this is being addressed through those that we raised last year.</p>	<p>next few years and, as part of these, it will be considered how the various functions should be performing and what measures are appropriate.</p>

## Definition of Assignment and Overall Assurance Opinions

### Audit Assignment Assurance Opinion Levels – as from May 2020

<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

Overall / Annual Assurance Opinion Levels – As from May 2020

<p><b>Substantial Assurance</b></p>	<p>A sound system of governance, risk management and control exists across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.</p>	<p><b>Limited Assurance</b></p>	<p>Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.</p>
<p><b>Reasonable Assurance</b></p>	<p>There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.</p>	<p><b>No Assurance</b></p>	<p>Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.</p>

## Planned Audit 2021/22 – Work Complete (No Audit Report)

Subject	Comments
<b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit were available to provide support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2020/21 financial year.</p> <p>The S151 Officer presented the 2020/21 AGS to the Audit Committee on 7 September &amp; 2 November 2021.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>Five applications for Contract / Financial Procedure Rules have been received in the year to date, four were accepted and the remaining one was cancelled.</p>
<b>Fraud / Irregularity</b>	<p>There have been no irregularities to report regarding the day-to-day operation of the Councils.</p> <p>However, there are four cases (3 South Hams, 1 West Devon) which relate to COVID-19 grants. Three (2 SH, 1 WD) involve applications for the latest COVID-19 Additional Restrictions Grant, following the Omicron variant outbreak. These have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti Fraud Network (NAFN).</p> <p>The fourth case, involving a business that made applications under previous COVID grant schemes, is being investigated by the National Investigation Service and the Council is supplying information to assist in this investigation.</p>
<b>Covid 19 - MHCLG Lost Sales, Fees &amp; Charges Compensation Scheme</b>	<p>Internal Audit were asked to undertake review and challenge of the returns prepared by officers when claiming under the Govt scheme, the first in May 2021 and more recently, in October 2021. In both cases, Internal Audit were able to confirm the accuracy of the claims and provide substantial assurance on the two submissions.</p>

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Report to: **Audit Committee**  
Date: **15 March 2022**  
Title: **2022/23 Internal Audit Plan**  
Portfolio Area: **Performance & Resources - Cllr C Edmonds**  
Wards Affected: **All**  
Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

Author: **Dominic Measures** Role: **Audit Manager**  
**Robert Hutchins** **Head of Partnership**

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## **RECOMMENDATIONS:**

### **It is RECOMMENDED that:**

- 1. the report be approved, and**
- 2. the proposed Internal Audit Plan for 2022/23 at Appendix A be approved.**

## **1. Executive summary**

- 1.1 The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2022/23.
- 1.2 Whilst West Devon Borough Council and South Hams District Council operate as two unique councils, services are delivered by one integrated organisation; to reflect that shared services working arrangement, the 2022/23 audit plan is now presented as one combined plan. Where there are risks or issues that relate specifically to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

- 1.3 The report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.
- 1.4 The 2022/23 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority given the significant changes across the public sector and the country as a whole.

## **2. Background**

- 2.1 All principal Local Authorities, including West Devon Borough Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 2.2 The Public Sector Internal Audit Standards require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.
- 2.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

## **3. Outcomes/outputs**

- 3.1 We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across both West Devon Borough Council and South Hams District Council, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor, for each area determines an initial schedule of priorities for audit attention.

The audit plan for 2022/23 has been created by:

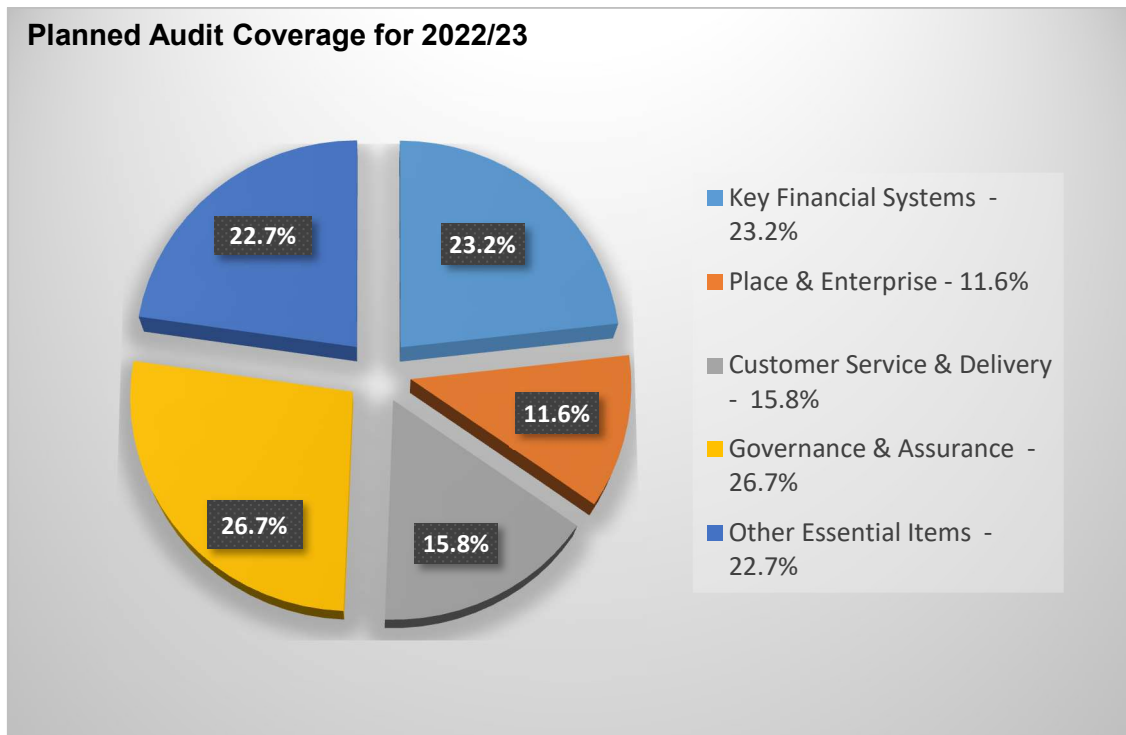


- 3.2 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below. The combined planned audit coverage for 2022/23 totals 430 days, the same as in previous years, see Appendix A for the proposed detailed plan. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to remain flexible to be able to respond to the changing risks and priorities of the Authority with any changes reported back to this Committee. To provide for some flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work, or emerging risks.
- 3.3 The COVID-19 pandemic impacted on Internal Audit's work during the last two years, with Internal Audit resources used to assist officers in the payment of various grants to businesses, in particular the evaluation/reviewing of applications. As a result, several audits due to undertaken in 2021/22 have been delayed and now appear in the proposed plan for 2022/23. In addition, the impact of COVID on services and functions has meant that audits in those areas have been

deferred. The proposed plan continues to recognise the need for increased assurance that controls are effective following the Covid-19 emergency.

- 3.4 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below.

**Figure 1**



- 3.5 Devon Audit Partnership continue to work to develop effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

- 3.6 Colleagues at Mazars undertake an annual review of emerging risks that could be considered when preparing Local Government Internal Audit Plans.

[Public-Social-Sector/Transforming-your-organisation/Horizon-Scanning](#)

Whilst not all of the risks will be applicable to West Devon & South Hams, and other local authorities will be in “different places” in how they respond to risk, the document provides a useful reference source

for Auditors, Senior Management and Audit Committee Members as they consider items for inclusion in the Annual Internal Audit plan.

#### 4. Options available and consideration of risk

4.1 No alternative approach has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity which is consistent with the priorities of the organisation would be in contravention of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

#### 5. Proposed Way Forward

5.1 We will be flexible in our approach to ensure that the audit plan continues to reflect the changing risks and corporate priorities of the Council with the timetabling of audits agreed with management to ensure our work is delivered at the most effective time for the organisation.

#### 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	<p>There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.</p>

Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
<b>Supporting Corporate Strategy</b>		
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

There are no separate appendices to this report.

#### **Background Papers:**

None.

## Appendix A

<b>Proposed 2022/23 Combined Audit Plan for West Devon Borough Council and South Hams District Council</b>		
<b>KEY FINANCIAL SYSTEMS</b>	Priority / Risk	Days
Main Accounting System (inc budgetary control)	H	15
Payroll	H	20
Creditor (Payments)	M	15
Debtors (Income Collection)	M	15
Business Rates	M	10
Council Tax	M	10
Housing Benefits	M	10
Treasury Management	L	5
<b>KEY FINANCIAL SYSTEMS</b>		<b>100</b>
<b>PLACE &amp; ENTERPRISE</b>	Priority / Risk	Days
Capital Expenditure	H	15
Regeneration & Investment Strategy	H	10
Salcombe Harbour (S.Hams)	M	10
Dartmouth Lower Ferry (S.Hams)	M	5
COVID-19 – Business Grants – Post Scheme Assurance	H	10
<b>PLACE &amp; ENTERPRISE</b>		<b>50</b>
<b>CUSTOMER SERVICE &amp; DELIVERY</b>	Priority/Risk	Days
ICT Audit (Cyber Security, Business Continuity)	H	25
Locality Officers – Management, roles & scheduling (Review implementation of new service)	H	15
Development Control – Section 106 arrangements	H	10
Partnership Funding Arrangements	M	5
Building Maintenance – Works Scheduling – Follow-Up	H	3
Health & Wellbeing – Staff Welfare post COVID-19	H	10
<b>CUSTOMER SERVICE &amp; DELIVERY</b>		<b>68</b>

<b>GOVERNANCE &amp; ASSURANCE</b>	Priority/Risk	Days
Project Management – Governance and Process	H	15
Leisure Management - Contract Management	H	15
Procurement – Compliance with Financial Procedures & Tender Limits	H	10
Risk Management Review	M	10
Corporate Strategy & Performance Management	M	15
Future IT Project – Contract Award & Benefit Realisation	H	15
Corporate Information Management – FOI and Data Protection	H	10
Climate Change	H	10
VAT Arrangements	M	10
Business Continuity (in connection with ICT Business Continuity)	H	5
<b>GOVERNANCE &amp; ASSURANCE</b>		<b>115</b>
<b>OTHER ESSENTIAL ITEMS</b>		
Completion of 2021-22 Audit Plan		20
Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee		30
Annual Governance Statement		2
Exemptions from Financial Regulations		3
Grants – LEAF and LAG – extension to 30 Nov 2022		17
National Fraud Initiative (NFI)		5
Contingency, Advice & Emerging Risks		20
<b>OTHER ESSENTIAL ITEMS</b>		<b>97</b>
<b>TOTAL AUDIT PLAN</b>		
		<b>430</b>



Report to: **Audit Committee**

Date: **15 March 2022**

Title: **2022/23 Capital Strategy, 2022/23 Treasury Management Strategy and 2022/23 Investment Strategy**

Portfolio Area: **Performance and Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**  
**Clare Scotton** **Finance Business Partner**

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**01803 861559 [clare.scotton@swdevon.gov.uk](mailto:clare.scotton@swdevon.gov.uk)**

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## Recommendations:

1. That the Audit Committee scrutinises and recommends to Council the approval of the 2022/23:
  - i) Capital Strategy (as attached at Appendix A)
  - ii) Treasury Management Strategy (as attached at Appendix B)
  - iii) Investment Strategy (as attached at Appendix C)
  - iv) That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council and the Hub Committee Member for Finance, to make any minor amendments to these Strategies if required throughout the 2022/23 Financial Year.

## 1. Executive summary

- 1.1 This report recommends to Council approval of the proposed Capital Strategy, Investment Strategy and Treasury Management for 2022/23, together with their associated prudential indicators.

- 1.2 Revised reporting is required since the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans and greater reporting requirements surrounding any commercial activity undertaken.
- 1.3 The current guidance for a Council's level of borrowing is the Prudential Code (2017) and as "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

**Capital Strategy** - As from 2019/20, all local authorities are required to prepare an additional Capital Strategy report. The Capital Strategy for 2022/23 is attached in Appendix A.

In 3.5.3, the Capital Financing Requirement, the measure of the Council's underlying need to borrow for the capital programme, has been projected to be £24.6 million for 2022/23. This includes borrowing for leisure, waste fleet, Kilworthy Park, Tavistock temporary accommodation and four investment properties.

**Investment Strategy** - The guidance includes a new requirement for Councils to prepare an Investment Strategy since 2019/20. Councils are required to prepare indicators that enable Members and the public to assess the Council's investments and the decisions taken. The new indicator measures net commercial income as a percentage of net service expenditure and total investment exposure.

**Treasury Management Strategy** - Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

- 1.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout all three of the Strategies presented for approval.

## **2. Outcomes/outputs**

- 2.1 In light of recent low interest rates, the budget for investment income has reduced for 2022/23 and has been set at £25,321.
- 2.2 External treasury management training (by Link Group) was arranged for all Members in March 2021 to ensure Members have up to date skills to continue to make capital and treasury management decisions. This training will take place every two years and is scheduled to take place again in March 2023.

## **3. Options available and consideration of risk**

- 3.1 It is a statutory requirement for the Council to annually approve its Capital Strategy, Treasury Management Strategy and Investment Strategy.

## **4. Proposed Way Forward**

- 4.1 That Audit Committee scrutinises and recommends to Council the approval of the Capital Strategy (Appendix A), Treasury Management Strategy (Appendix B) and Investment Strategy (Appendix C) for 2022/23.

## 5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The elements set out in paragraph 2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.</p> <p>It is within the Terms of Reference of the Audit Committee to receive regular reports on the treasury management function.</p> <p>It is within the Terms of Reference of the Hub Committee to receive regular monitoring reports on the Council's Capital Programme and Capital Plans.</p>
Financial implications to include reference to value for money	Y	<p>Good financial management and administration underpins the entire treasury management strategy. The budget for investment income for 2022/23 has been set at £25,321.</p>
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council produces an Annual Capital Strategy, Investment Strategy and Treasury Management Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Hub Committee as part of budget monitoring reports.</p>
Supporting Corporate Strategy		<p>The treasury management function supports all of the Thematic Delivery Plans within 'A Plan for West Devon'.</p>
Climate Change - Carbon / Biodiversity Impact		<p>The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.</p>

		The Council declared a Climate Change and Biodiversity Emergency on 23 July 2019 and a Climate Change Action Plan was presented to Council in December 2019.  Further detail is set out in the Council's 'A Plan for West Devon' strategy.
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

### **Supporting Information**

#### **Appendices:**

Appendix A – Capital Strategy 2022/23

Appendix B – Treasury Management 2022/23

Appendix C – Investment Strategy 2022/23

#### **Background Papers:**

None

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed/sign off	<b>Yes</b>
SLT Rep briefed/sign off	<b>Yes</b>
Relevant Heads of Practice sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
Accessibility checked	<b>N/A</b>

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### Capital Strategy 2022/23

#### 1 Introduction

1.1 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how associated risk is managed
- The implications for future sustainability

#### 2 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, e.g. property/ vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, e.g. assets costing below £10,000 are not capitalised and are charged to revenue in the year.

2.2 As at the end of January 2022, the Council has incurred capital expenditure of £849,043 and will incur further capital expenditure by the end of March 2022. The Council capital expenditure is summarised below:

<b>Capital expenditure</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Services (including Housing)	1,008,000	1,042,500	3,945,000	790,000	710,000
<b>Total</b>	<b>1,008,000</b>	<b>1,042,500</b>	<b>3,945,000</b>	<b>790,000</b>	<b>710,000</b>

#### **Housing projects**

2.3 A Housing crisis was declared by the Council at its meeting on the 15<sup>th</sup> February 2022. The motion to Council contained 15 actions, a combination of direct lobbying, some longer term strategic work streams and bringing into focus work already in progress. The business case for individual projects to proceed to construction will be presented to Council for approval at the appropriate time.

## **Commercial Investment**

- 2.4** In December 2019, the Council revised its Commercial Investment Strategy (originally approved in September 2018), which included multiple objectives: (a) to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order) (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue deliver and/or improve frontline services in keeping with its adopted strategy and objectives. This was approved by Council on 17<sup>th</sup> December 2019 (Minute CM53).
- 2.5** The Hub Committee is considering an updated Regeneration and Investment Strategy at their meeting on 8th March 2022. This will be further considered by Council on 5<sup>th</sup> April 2022. The updated strategy reflects the new guidance from the Public Works Loan Board (PWLB) on PWLB borrowing. The rules for PWLB investment have changed. The following criteria are the only criteria in which the Council can use PWLB funding as supported by this strategy. The four categories are housing, regeneration, service delivery or refinancing of existing debt. Investment must be within the Borough's boundary.

## **Leisure Investment**

- 2.6** The Council has already invested £1.5m in Leisure Services. The leisure contract sets out for the Council to be reimbursed by the leisure contractor for the borrowing of the Leisure Investment and the income has already been factored into the Medium Term Financial Strategy. Following the impact of the COVID-19 pandemic on the leisure industry from March 2020 onwards, the management fee income due has been deferred and will start to be received for the 2021-22 financial year onwards in an agreed payment schedule which was approved by Full Council on 15<sup>th</sup> February 2022.
- 2.7** In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £50 million.
- 2.8** On 26 November 2020, the Public Works Loans Board reduced interest rates by 1% for all new loans arranged from 26 November 2020. Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. PWLB borrowing is permitted in the future for the four categories of regeneration, service delivery, housing and refinancing.

## **Governance**

- 2.9** The Head of Finance Practice invites bids for capital funding from all service managers annually on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids are ranked against a prescribed priority criteria



which is set out in the bid process. Submitted capital bids are assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, Disability Discrimination Act etc.) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives. The final capital programme is then presented to Hub Committee and to Council in February each year.

- 2.10** All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above capital expenditure is as follows:

<b>Financing of capital expenditure</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
<b>Capital Expenditure</b>	<b>1,008,000</b>	<b>1,042,500</b>	<b>3,945,000</b>	<b>790,000</b>	<b>710,000</b>
<b>Financed by:</b>					
External sources (Capital grants, NHB, S106)	648,000	501,000	2,288,000	610,000	610,000
Own resources (Capital receipts, Earmarked reserves)	360,000	541,500	1,165,000	180,000	100,000
<b>Net financing need for the year</b> (This is the prudential borrowing required)	<b>0</b>	<b>0</b>	<b>492,000</b>	<b>0</b>	<b>0</b>

- 2.11** Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

<b>Replacement of debt finance</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
MRP	611	623	636	659	673
Use of capital receipts	0	0	0	0	0

### **3 Treasury Management**

- 3.1** Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
- 3.2** The Council is typically more cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.3** As at 31 March 2021, the Council had external borrowing of £28.9 million.
- 3.4** As at 30 September 2021, the Council held £28.7m of Investments. Due to historically low interest rates, investment income will be much reduced in 2022/23. Treasury investments are expected to fall to approximately £16 million by 31 March 2022. The Council is in the process of paying out Business Grants for various grant schemes where significant funds will be paid out prior to 31 March 2022.

### **4 Borrowing Strategy**

- 4.1** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.
- 4.2** These objectives are often conflicting, and the Council therefore will seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

**4.3** Projected levels of the Council's total outstanding debt which comprises borrowing is shown below, compared with the capital financing requirement.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Debt at 31 March	28,945,000	28,342,000	27,726,000	27,013,000	26,371,000
Capital Financing Requirement	25,361,000	24,738,000	24,594,000	23,935,000	23,262,000

**4.4** The Capital Financing Requirement is the measure of the Council's underlying need to borrow for the capital programme. This has been projected to be £24.6 million for 2022/23. This includes borrowing for leisure, waste fleet, Kilworthy Park, Tavistock temporary accommodation and four investment properties.

## **5 Investment Strategy**

**5.1** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

**5.2** The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

**5.3** Money that will be held for longer terms is invested more widely including in collective investment schemes (pooled funds whose underlying assets are company shares, bonds, property etc.). One example of which is the CCLA Local Authorities' Property Fund in which the Council is invested to balance the risk of loss against the risk of receiving returns below inflation.

**5.4** Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

**5.5** Further details on treasury investments can be found in the treasury management strategy (Appendix B).

## **Governance**

- 5.6** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director for Strategic Finance (S151 Officer) and finance staff (where appropriate), who must act in line with the treasury management strategy approved by Council.
- 5.7** Semi-annual reports on treasury management activity are presented to the Audit Committee which is responsible for scrutinising treasury management decisions.

## **6 Investments for Service Purposes**

- 6.1** The Council has a £50,000 investment in the South West Mutual Bank which takes the form of shareholding in the bank, with the purpose of encouraging local economic growth.

### **6.2 Governance**

Decisions on service investments are made by the relevant service manager in consultation with the Corporate Director for Strategic Finance (Section 151 Officer) and must meet pre-approved criteria and limits. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

## **7 Investment Strategy**

- 7.1** In December 2019 (Minute CM53) the Council revised its Commercial Investment Strategy. This strategy covers both commercial development on Council-owned land and commercial acquisitions and has multiple objectives:

- to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order)
- to enhance economic benefit and create business rates growth
- to assist with the financial sustainability of the Council as an ancillary benefit
- to help continue deliver and/or improve frontline services in line with the Council's adopted strategy and objectives.
- security and liquidity

- 7.2** Each acquisition or development opportunity will be assessed on its fit with meeting the objectives stated above and should deliver one or more of the following outcomes (benefits):

- Job creation or safeguarding
- Health & Wellbeing
- Town centre regeneration
- Tourism / increased footfall / Business rate growth
- Improved asset utilisation
- A minimum yield of 1%
- Climate Change Mitigation

- 7.3 Details of the Council's commercial investment strategy can be found in the report approved by Full Council on 17th December 2019 - minute Reference CM53.

<http://mg.swdevon.lan/ieListDocuments.aspx?CId=271&MId=1276&Ver=4>

- 7.4 The Hub Committee is considering an updated Regeneration and Investment Strategy at their meeting on 8th March 2022. This will be further considered by Council on 5<sup>th</sup> April 2022. The updated strategy reflects the new guidance from the Public Works Loan Board (PWLB) on PWLB borrowing. The rules for PWLB investment have changed. The following criteria are the only criteria in which the Council can use PWLB funding as supported by this strategy. The four categories are housing, regeneration, service delivery or refinancing of existing debt. Investment must be within the Borough's boundary.

#### **Risk Management and Due Diligence**

- 7.5 The Council accepts there is a higher risk on commercial investment than with treasury investments. Financial risk will be weighed up against social and economic benefits of the investment. The principal risk exposures include variances resulting in a disruption or fall in income streams, fall in capital value which is either site-specific or due to general market conditions, deterioration in the credit quality of the tenant.
- 7.6 The Council assesses the risk of loss before entering into and whilst holding property investments/property opportunities by carrying out appropriate due diligence checks and implementing mitigation measures in managing risk:
- The tenants need to be of good financial standing (this is assessed using Dun & Bradstreet credit rating reports and annual accounts). The number of tenants e.g. sole tenant or multi tenanted will be assessed.
  - The property condition such as date of construction and any imminent or significant refurbishment or modernisation requirements (forecast capital expenditure).
  - How the property investment, financial or non-specified investment meets the Council's multiple objectives as set out in the Council's strategy.
  - The lease must meet certain standards, such as being in a commercial popular location and have a number of years left on the lease providing a certain and contractually secure rental income stream into the future. Any break clauses will be assessed along with the number of unexpired years, bank guarantees and rent reviews.
  - The location will be within West Devon Borough Council's boundary. The population of the catchment area, the economic vibrancy and known or anticipated market demand as well as proximity to travel infrastructure and other similar properties will be assessed.

Future borrowing from the Public Works Loan Board must meet one of the four permitted categories of borrowing of regeneration, service delivery, housing or re-financing of existing debt.

- Rental income paid by the tenant must exceed the cost of repaying the borrowed money from the Public Works Loan Board (which is itself funded by the Government). The surplus is then an ancillary benefit which supports the Council's budget position and enables the Council to continue to provide services for local people.
- The gross and net yield are assessed against the Council's criteria.
- The prevailing interest rates for borrowing at the time.
- Debt proportionality considerations.
- The life and condition of the property is assessed by a valuer and the borrowing is taken out over the life of the asset. The amount of management and maintenance charges are assessed as well as the ease of in-house management. 10% of all rental income (or an amount as deemed prudent) is put into a Maintenance and Management Reserve to cover any longer-term maintenance issues.
- The potential for property growth in terms of both revenue and capital growth will be assessed.
- The risks are determined by the property sector e.g. office, retail, industrial, associated with specific properties and the mix of sectors within the Council's portfolio.
- Details of acquisition costs e.g. stamp duty land tax, legal costs
- The documented exit strategy for a purchase/new build.
- The legal and technical due diligence checks will also identify any specific problems such as anomalies in the title deed, restrictive use classes, indemnities, local competition, construction or refurbishment requirements.
- The Council engages the use of external advisors to assist in undertaking elements of the due diligence checks such as technical, legal, accounting, property and taxation advice.
- The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below that forecasted. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.

**7.7** Risk of loss shall be assessed on a case by case basis as part of the acquisition due diligence and will be a criteria considered throughout the approval process. Risk of loss during the management phase of the investment shall be reported in accordance with the criteria below. In accordance with Para 23-25 of Statutory Guidance on Local Government Investments, quantitative indicators or risk and portfolio performance will be reported to Audit Committee. The frequency of this reporting is anticipated to be every 6 months and will include the following indicators (as applicable):

- Rental value by property
- Rental value by tenant
- Sector split by purchase price
- Purchase price
- Rental income profile
- Tenant lease length
- Gross Yield
- Management, Maintenance and Risk Mitigation Reserve (MMRM)
- Current value

### **Governance**

**7.8** Acquisitions must conform to the adopted Commercial Investment Strategy. Any deviation from the agreed Strategy will require Council approval.

**7.9** The Council's Senior Leadership Team will initially consider each proposal (development or acquisition of property or renewables) as an initial step and recommend that the proposal proceeds in principle.

**7.10** The Invest To Earn Committee will consider and evaluate (in accordance with this Strategy) proposals for acquisition of assets on a case by case basis, and will make any necessary recommendations to the Head of Paid Service and Section 151 Officer who will make a decision in consultation with the Leader of the Council and Chairman of the Invest to Earn Committee.

**7.11** The Council will consider debt proportionality (the amount borrowed to date against the net service expenditure ratio) on a case by case basis for each acquisition as part of the decision making process. Investment indicators are set out within the Council's Treasury Management Strategy.

**7.12** The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below forecast, or if energy prices are below that forecasted in the case of a solar farm. The Council also sets aside 10% annually of all rental income and income from energy prices into a Maintenance, Management and Risk Mitigation (MMRM) Reserve. This is part of the Council's contingency arrangements.

- 7.13** Specialists will be commissioned to act on behalf of the Council to source suitable properties and manage the acquisition due diligence process.
- 7.14** Before a final decision is made to proceed with an acquisition, local ward Members will be briefed and be able to share their views with the Invest to Earn Committee.
- 7.15** Development proposals on Council owned land must also conform to the objectives of the Commercial Investment Strategy.
- 7.16** Unlike investment acquisitions however, they shall not benefit from the same scheme of delegation. Instead, approvals must be sought through the Hub Committee and Full Council process. Decisions on in area development shall consider, as appropriate, the views of the local Members and key stakeholders (Town Council / Parish Council) as one of many aspects of any projects brought forward.

### **Debt Proportionality**

- 7.17** The commercial investment strategy considers the risks of investment and the Council engaged Treasury Management advisors to analyse the level of debt proportionality to the Council's finances (e.g. levels of reserves, asset base and level of interest costs as a percentage of income).
- 7.18** Investment Property acquisitions expand the Council's balance sheet and interest costs will form a higher percentage of locally derived income. It would absorb a high level of reserves if there are shortfalls in or disruption to the income stream required to meet the additional expenditure.
- 7.19** Sensitivity analysis on the level of debt interest against the Council's level of reserves is considered as part of the Medium Term Financial Strategy and as part of the budget proposals each year. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.
- 7.20** In order that investments remain proportionate to the size of the Council, borrowing for the Investment Strategy is subject to an overall limit (for all Council services) of £50 million.
- 7.21** The Council set an upper limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million. Interest payments at 2% would equate to 15.2% of available reserves (Appendix F to the Budget Proposals report for 2022/23 – Council 15th February 2022).



## **Liquidity**

- 7.22** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will spread its liquidity profile across its portfolio and also have a spread of the sector in which the Council invests. The Council also documents potential exit strategies as part of its due diligence checks.
- 7.23** Liquidity will be a factor in determining the amount of rent set aside in the Maintenance Management and Risk Mitigation Reserve for each investment which has a balance of £417,000 as at 31 March 2022. This will be reviewed with the same frequency as the risk reporting procedure set out in the Council's Commercial Investment Strategy.

## **8 Asset Management**

- 8.1** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.
- 8.2** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.
- 8.3** Repayments of capital grants, loans to third parties for capital expenditure and investments also generate capital receipts.
- 8.4** The Council estimates to receive nil capital receipts in the coming financial year as follows:

<b>Capital Receipts</b>	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
Asset sales	0	0	0	0	0
Loans repaid	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **9 Liabilities**

### **Governance**

- 9.1** Decisions on incurring new discretionary liabilities are taken by Head of Practice in consultation with the Corporate Director for Strategic Finance (Section 151 Officer).
- 9.2** The risk of liabilities crystallising and requiring payment is monitored as part of the budget monitoring and reported to the Hub Committee quarterly.

## **10 Revenue Budget Implications**

- 10.1** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

*Proportion of financing costs to net revenue stream*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
Financing costs	1,332,162	1,342,070	1,343,363	1,352,231	1,351,241
Proportion of net revenue stream	17.3%	18.4%	17.3%	17.6%	17.3%

- 10.2** Further details on the revenue implications of capital expenditure are included in the Revenue Budget.

### **Sustainability**

- 10.3** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.
- 10.4** The Corporate Director of Strategic Finance (S151 Officer) is satisfied that the proposed capital programme is prudent, affordable and sustainable and it is fully integrated with the Council's 2022/23 Medium Term Financial Strategy, Treasury Management Strategy and Investment Strategy and other strategic plans. The Capital Strategy is compiled in line with the requirements of the 2017 CIPFA Prudential Code and 2017 Treasury Management Code. The risks associated with the Investment Strategy are covered within the Strategy.
- 10.5** The delivery of the individual capital schemes on the plan is directly linked to the original approval of the capital project supported by each project having a project lead who is responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.
- 10.6** Members, via the Hub Committee meetings receive quarterly budget monitoring reports on the Council's Capital Programme. Through these updates, which are driven by the requirement of financial reporting, Members can review and challenge the delivery of projects and any changes to both the timing and expenditure of the capital project.

- 10.7** If subsequent to the capital project being completed there are variations to the income expected to be generated from that asset, this will be reported as a variance in the quarterly budget monitoring reporting and if ongoing will be included in the following year's revenue budget proposals.
- 10.8** The Council's Senior Leadership Team has oversight for the delivery of and challenge to the Capital Strategy and Capital Programme.

### **Affordability**

- 10.9** Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital programme. This is either demonstrated by a report on the project being presented to Hub/Council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme, or by delegated procedures set out within the commercial investment strategy (containing this information).
- 10.10** All projects need to have a clear funding source. If external funding such as an external grant is to be used, there needs to be a clear funding commitment.
- 10.11** Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.
- 10.12** Where borrowing is to be used, the affordability is of greater importance and the affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing (MRP). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The rules around the governance of this borrowing are outlined in the Prudential Code (as summarised above).
- 10.13** At no stage should the asset value be lower than the value of outstanding debt unless there is a clear plan to mitigate that shortfall or to sell that asset.

### **Risks**

- 10.14** The risks associated with a significant Capital Programme and a significant level of borrowing can be mitigated through all capital projects being supported by a business case, having adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to Members.
- 10.15** There are clear links from the capital strategy to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at the Audit Committee and Council. For any new borrowing, and

this is a greater risk as the value of borrowing increases, this does increase the Council's overall liabilities that will need to be repaid in the future.

- 10.16** In addition, this increases the Council's level of fixed interest and repayment costs that it will incur each year. In 2022/23 the borrowing liability is estimated at £27.7 million with ongoing financing costs of the borrowing of approx. £1.3m. This is a clear risk that all Members need to be aware of.
- 10.17** However this risk for assets is mitigated by a robust business case and a MRP that will repay the borrowing costs over a (prudent) asset life. Any variations from this are set out in the MRP Policy (section 2.5 of the Treasury Management Strategy). Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this helps to mitigate this risk.
- 10.18** As outlined above in the position statement, investment properties have a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council has established a clear strategy, criteria and a governance route for these purchases which has included member training, second opinion on asset values, due diligence, site visits, surveys etc.
- 10.19** There are risks (and rewards) associated with the purchase of these type of assets, therefore all Members need to have sight of and understand the risks and rewards inherent in these commercial investments (development opportunities).

## **11 Knowledge and Skills**

- 11.1** The Council employs professionally qualified and experienced staff in senior positions with responsibility for recommending capital expenditure, borrowing and investment decisions to Members.
- 11.2** The Director of Place & Enterprise is a Chartered Civic Engineer with 18 years of experience. In addition, the Director of Place & Enterprise holds a MSc in Construction Law.
- 11.3** The Corporate Director of Strategic Finance (S.151 Officer) is a Chartered Accountant (ICAEW) with 18 years of experience of being a S151 Officer (Chief Finance Officer). In addition, the Corporate Director for Strategic Finance holds a BSc in Mathematics and has previously worked in the private sector for accountancy firms.
- 11.4** The Estates Specialist is a Chartered Surveyor, qualified for over 15 years, with an Estate Surveying degree. In addition they are a Registered Valuer.
- 11.5** The Monitoring Officer is a qualified solicitor with over 20 years public sector experience.

**11.6** Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required. A list is below:-

- Link Group – Treasury Management Advice
- Savills – Property Agents
- JLL – Property and Technical Consultants
- CCD Properties Limited – Development Specialists
- Arcadis – Building Surveyors and Engineers
- Womble Bond Dickinson – Solicitors

**11.7** This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

**11.8** Following the District Elections in May 2019, a comprehensive Members' Induction Programme was undertaken in May 2019. This included specific financial and treasury management training.

**11.9** External treasury management training (by Link Group) for Members will be carried out every two years to ensure Members have up to date skills to continue to make capital and treasury management decisions. Training was last completed in March 2021 and will be due again in March 2023.

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# Treasury Management Strategy Statement 2022/23

## **1. Introduction**

### **1.1 Background**

- 1.1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.1.5 CIPFA defines treasury management as:
- “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

## 1.2 Reporting Requirements

### Capital Strategy

- 1.2.1 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability
- 1.2.2 The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
- The corporate governance arrangements for these types of activities;
  - Any service objectives relating to the investments;
  - The expected income, costs and resulting contribution;
  - The debt related to the activity and the associated interest costs;
  - The payback period (MRP policy – Minimum Revenue Provision);
  - For non-loan type investments, the cost against the current market value;
  - The risks associated with each activity.
- 1.2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 1.2.5 The Capital Strategy sets out details of the Council's Investment Strategy, which included multiple objectives: (a) to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order) (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue deliver and/or improve frontline services in keeping with its adopted strategy and objectives.



- 1.2.6 The Hub Committee is considering an updated Regeneration and Investment Strategy at their meeting on 8th March 2022. This will be further considered by Council on 5<sup>th</sup> April 2022. The updated strategy reflects the new guidance from the Public Works Loan Board (PWLB) on PWLB borrowing. The rules for PWLB investment have changed. The following criteria are the only criteria in which the Council can use PWLB funding as supported by this strategy. The four categories are housing, regeneration, service delivery or refinancing of existing debt. Investment must be within the Borough's boundary.
- 1.2.7 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 1.2.8 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### **Treasury Management Reporting**

- 1.2.9 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- a. Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
- the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- b. A mid-year treasury management report** – This is primarily a progress report and will update Members on the capital position, amending treasury and prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

## **Scrutiny**

1.2.10 The above reports are required to be adequately scrutinised before being approved by Council. Periodic Treasury Management reports are reported to the Audit Committee for this purpose. Prior to the annual strategies being recommended to Council on 5<sup>th</sup> April 2022, the strategies are presented to the Council's Audit Committee for scrutiny.

### **1.3 Treasury Management Strategy for 2022/23**

1.3.1 The strategy for 2022/23 covers two main areas:

#### **Capital issues**

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.3.2 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

### **1.4 Training**

1.4.1 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. The Members receive training every two years and will be scheduled again for March 2023. The training needs of treasury management officers are periodically reviewed.

### **1.5 Treasury Management Consultants**

1.5.1 The Council uses Link Group, Treasury solutions as its external treasury management advisors.

- 1.5.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
- 1.5.3 It also recognises that there is value in procuring external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 1.5.4 The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions), and other types investment, such as investment properties. The Council currently has four investment properties. The Council's negotiating team includes the Strategic Director of Place and Enterprise and the S.151 Officer, who are both members of the Senior Leadership Team. Both Officers are aware of the core principles of the prudential framework and of the regulatory regime within which Local Authorities operate. The S.151 Officer has attended specific treasury management training courses around the new DLUHC Guidelines on investments and the accounting treatment.
- 1.5.5 Investments require specialist advisors and the appropriate expertise is always resourced in relation to these activities. The specialist advisors used by the Council are:
- Link Group – Treasury Management Advice
  - Savills – Property Agents
  - JLL – Property and Technical Consultants
  - CCD Properties Limited – Development Specialists
  - Arcadis – Building Surveyors and Engineers
  - Womble Bond Dickinson – Solicitors

## **2 The Capital Prudential Indicators 2022/23 – 2024/25**

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

### **2.2 Capital Expenditure**

2.2.1 This prudential indicator is a summary of the Council's capital expenditure plans both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

<b>Capital expenditure</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Services (including housing)	1,008,000	1,042,500	3,945,000	790,000	710,000
<b>Total</b>	<b>1,008,000</b>	<b>1,042,500</b>	<b>3,945,000</b>	<b>790,000</b>	<b>710,000</b>

2.2.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

<b>Financing of capital expenditure</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
<b>Capital Expenditure</b>	<b>1,008,000</b>	<b>1,042,500</b>	<b>3,945,000</b>	<b>790,000</b>	<b>710,000</b>
<b>Financed by:</b>					
External sources (Capital grants, NHB, S106)	648,000	501,000	2,288,000	610,000	610,000
Own resources (Capital receipts, Earmarked reserves)	360,000	541,500	1,165,000	180,000	100,000
<b>Net financing need for the year (This is the prudential borrowing required)</b>	<b>0</b>	<b>0</b>	<b>492,000</b>	<b>0</b>	<b>0</b>

## **2.2 The Council's Borrowing Need (the Capital Financing Requirement)**

- 2.3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (e.g. capital receipts). It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR, if it is funded by borrowing.
- 2.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP – capital repayment of the borrowing) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 2.3.3 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council does not currently have any such schemes within the CFR.

2.3.4 The Council is asked to approve the CFR projections below:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>Capital Financing Requirement</b>					
CFR – services (including housing)	4,615,000	4,227,000	4,325,000	3,913,000	3,494,000
CFR - Non-financial investments	20,746,000	20,511,000	20,269,000	20,022,000	19,768,000
<b>Total CFR</b>	<b>25,361,000</b>	<b>24,738,000</b>	<b>24,594,000</b>	<b>23,935,000</b>	<b>23,262,000</b>
<b>Movement in CFR</b>	<b>(611,000)</b>	<b>(623,000)</b>	<b>(144,000)</b>	<b>(659,000)</b>	<b>(673,000)</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	0	0	492,000	0	0
Less MRP/VRP and other financing movements	(611,000)	(623,000)	(636,000)	(659,000)	(673,000)
<b>Movement in CFR</b>	<b>(611,000)</b>	<b>(623,000)</b>	<b>(144,000)</b>	<b>(659,000)</b>	<b>(673,000)</b>

## 2.3 Core Funds and Expected Investment Balances

2.4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Fund balances / reserves	10,235,000	6,647,000	5,647,000	5,147,000	4,647,000
Capital receipts	158,000	53,000	28,000	53,000	78,000
Provisions	886,000	900,000	900,000	900,000	900,000
Other	(2,556,000)	200,000	200,000	200,000	200,000
<b>Total core funds</b>	<b>8,723,000</b>	<b>7,800,000</b>	<b>6,775,000</b>	<b>6,300,000</b>	<b>5,825,000</b>
Working capital*	7,424,000	7,424,000	7,424,000	7,424,000	7,424,000
(Under)/over borrowing**	3,584,000	3,604,000	3,132,000	3,078,000	3,109,000
<b>Expected cash position</b>	<b>19,731,000</b>	<b>18,828,000</b>	<b>17,331,000</b>	<b>16,802,000</b>	<b>16,358,000</b>

\* Working capital balances shown are estimated year-end; these may be higher mid-year.

\*\* As housing projects come on stream and expenditure is incurred, this will reduce the over-borrowing position in future years.

## 2.4 Minimum Revenue Provision (MRP) Policy Statement

2.4.2 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). **The MRP is the capital repayment of any borrowing.**

2.4.3 DLUHC regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

2.5.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR.

2.5.4 This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

2.5.5 From 1 April 2008 for all unsupported borrowing (including finance leases, excluding the Community Housing Programme – see 2.5.11) the MRP policy will be:

- **Asset life (equal instalment) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Asset life (annuity) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);

2.5.6 These options provide for a reduction in the borrowing need over the asset's life.

2.5.7 The asset life methods are simple to operate and gives certainty in each year as to the level of charge applied. The other advantage is that they make business cases and scheme appraisals easier to compile. The annuity method is intended to have the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years. The annuity method gives rise to a lower charge in the early years, which steadily increases over the asset life. This approach means that the MRP for repayment of the debt liability will increase each year over the life of the asset, as the proportion of the interest calculated each year reduces and the principal repayment increases.

2.5.8 With all options, MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'.

2.5.9 However, MRP guidance has been issued, which makes recommendations to Councils on the interpretation of that term. Councils are legally obliged to 'have regard' to the guidance. The Council's policy will be that MRP will not normally commence until the start of the financial year following the one in which the expenditure was incurred and the asset became operational. The Council will postpone making MRP until the financial year following the one in which the asset becomes operational.

2.5.10 **MRP Overpayments** - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2021 the Council had no VRP overpayments.



- 2.5.11 **Housing** – A Housing crisis was declared by the Council at its meeting on the 15<sup>th</sup> February 2022. The motion to Council contained 15 actions, a combination of direct lobbying, some longer term strategic work streams and bringing into focus work already in progress. The business case for individual projects to proceed to construction will be presented to Council for approval at the appropriate time.
- 2.5.12 For the Council's Housing programme some of the assets to be developed will be sold within a short timeframe after they have been built. The Council's MRP policy for these Housing assets will be that capital receipts generated on the sale of assets will be set aside and used to reduce the Council's CFR and also the amount that would otherwise be chargeable as MRP in that period. The Council will also defer the provision of MRP that would otherwise be chargeable in a period, in anticipation of capital receipts arising from future housing sales which have yet to be materialised. If the capital receipts from the sale of assets were insufficient to provide for the CFR relating to the scheme, the Council would commence MRP to recover any sums that were not covered by future capital receipts.

### 3 Borrowing

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.2 Current Portfolio Position

3.2.1 The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 January 2022 are shown below for both borrowing and investments.

Treasury Portfolio	31 March 2021 Actual		31 January 2022 Current	
Treasury Investments:				
Short term – fixed	6,500,000	0.02%	24,900,000	0.03%
Money Market Funds	12,000,000	0.00%	9,000,000	0.01%
CCLA – Local Authority Property Fund	471,000	4.30%	471,000	4.30%
<b>Total treasury investments</b>	<b>18,971,000</b>		<b>34,371,000*</b>	
Treasury External Borrowing				
PWLB	28,944,000	2.54%	28,559,000	2.54%
<b>Total external borrowing</b>	<b>28,944,000</b>		<b>28,559,000</b>	
<b>Net treasury investments / (borrowing)</b>	<b>(9,973,000)</b>		<b>5,812,000</b>	

*\*The Council's investments mid way through the year are always higher than at the year end due to the cashflow advantage that the Council benefits from part way through the year from the collection of Council Tax, before these are paid out to precepting authorities. The Council has also received Government grants for business grants which are being administered over the period to the end of March and this will reduce the total investments by 31 March 2022, as payments are made to businesses in line with the Government guidance.*

3.2.2 In September 2018 (Minute CM34) the Council approved an updated Investment Strategy, which included multiple objectives: (a) to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order) (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue deliver and/or improve frontline services in keeping with its adopted strategy and objectives.

3.2.3 The Hub Committee is considering an updated Regeneration and Investment Strategy at their meeting on 8th March 2022. This will be further considered by Council on 5<sup>th</sup> April 2022. The updated strategy reflects the new guidance from the Public Works Loan Board (PWLB) on PWLB borrowing. The rules for PWLB

investment have changed. The following criteria are the only criteria in which the Council can use PWLB funding as supported by this strategy. The four categories are housing, regeneration, service delivery or refinancing of existing debt. Investment must be within the Borough's boundary.

3.2.4 The Council's current Non-Treasury Investment portfolio position is summarised below.

<b>Asset</b>	<b>Purchase Price (£)</b>	<b>Year Purchased</b>	<b>Asset life for the calculation of MRP (Years)</b>	<b>Value at 31 March 2021* (£)</b>
Bristol property	10,200,708	2018/19	50	12,000,000
Okehampton property	3,365,000	2018/19	50	3,170,000
Industrial units at Exeter	3,500,000	2018/19	50	3,110,000
Industrial units at Plymouth	1,700,000	2018/19	50	1,550,000
<b>TOTAL</b>	<b>18,765,708</b>			<b>19,830,000</b>

\*following fair value adjustments

3.2.4 The Fair Value Valuation at 31.3.2021 of the four investment properties was £19.830 million.

3.2.5 Indicators for the Council's Non-Treasury Investment portfolio are shown below.

<b>Non-Treasury Investment Indicators</b>	<b>Actual 2020/21</b>	<b>Estimate as at 31 Mar 22</b>
Total investment income as a proportion of the Council's Net Budget	3.61%	3.75%
Borrowing for Non-Treasury investments as a proportion of the Council's Net Budget	275.33%	288.22%
Investment income from Investment Properties compared to the interest expense incurred by them	212.92%	214.14%

3.2.6 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>External Debt</b>					
Debt at 1 April	29,534,000	28,945,000	28,342,000	27,726,000	27,013,000
Expected change in Debt	(589,000)	(603,000)	(616,000)	(713,000)	(642,000)
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	28,945,000	28,342,000	27,726,000	27,013,000	26,371,000
The Capital Financing Requirement	25,361,000	24,738,000	24,594,000	23,935,000	23,262,000
Under / (over) borrowing*	(3,584,000)	(3,604,000)	(3,132,000)	(3,078,000)	(3,109,000)

\* As housing projects come on stream and expenditure is incurred, this will reduce the over-borrowing position in future years.

3.2.7 Within the above figures the level of debt relating to investment activities / non-financial investment is:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>External Debt for investment activities / non-financial investments</b>					
Actual debt at 31 March	21,236,000	21,045,000	20,849,000	20,563,000	20,357,000
Percentage of total external debt %	73%	74%	75%	76%	77%

3.2.8 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.2.9 The Corporate Director for Strategic Finance (S151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report for 2022/23.

### 3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £50 million. The Operational Boundary is recommended to be set at £35 million to reflect the current projected levels of borrowing. Council are asked to re-affirm the total Authorised Borrowing Limit of £50 million.

3.3.2 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

<b>Operational boundary</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Total external debt	47,500,000	35,000,000	35,000,000	35,000,000

3.3.3 **The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

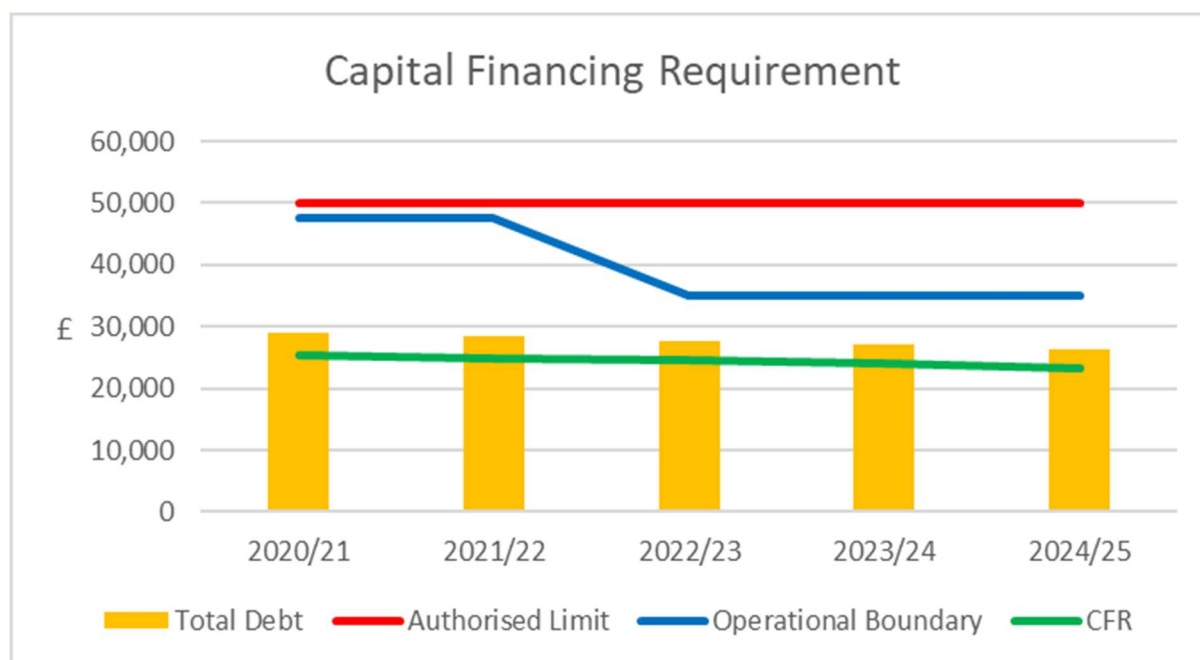
1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following authorised limit of £50 million:

<b>Authorised limit</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Total external debt	50,000,000	50,000,000	50,000,000	50,000,000

3.3.4 The graph below shows the CFR and borrowing projections.

	<b>Actual 2020/21</b>	<b>Estimate 2021/22</b>	<b>Estimate 2022/23</b>	<b>Estimate 2023/24</b>	<b>Estimate 2024/25</b>
General Fund	4,615,000	4,227,000	4,325,000	3,913,000	3,494,000
Investment activities / non-financial investments	20,746,000	20,511,000	20,269,000	20,022,000	19,768,000
<b>Total CFR</b>	<b>25,361,000</b>	<b>24,738,000</b>	<b>24,594,000</b>	<b>23,935,000</b>	<b>23,262,000</b>
<b>External Borrowing</b>	<b>28,945,000</b>	<b>28,342,000</b>	<b>27,726,000</b>	<b>27,013,000</b>	<b>26,371,000</b>
<b>Authorised Limit</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>
<b>Operational Boundary</b>	<b>47,500,00</b>	<b>47,500,000</b>	<b>35,000,000</b>	<b>35,000,000</b>	<b>35,000,000</b>



### 3.4 Prospects for Interest Rates

3.4.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

3.4.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and then to 0.50% at its meeting of 4th February 2022.

3.4.3 As shown in the forecast table above, the forecast for Bank Rate now includes a further three increases of 0.25% in March, May and November 2022 to end at 1.25%.

3.4.4 The Monetary Policy Committee is now very concerned at the way that forecasts for inflation have had to be repeatedly increased within a matter of just a few months. Combating this rising tide of inflation is now its number one priority and the 5-4 vote marginally approving only a 0.25% increase on 4th February rather than a 0.50% increase, indicates it is now determined to push up Bank Rate quickly. A further increase of 0.25% is therefore probable for March, and again in May, followed possibly by a final one in November. However, data between now and November could shift these timings or add to or subtract from the number of increases. However, it is likely that these forecasts will need changing within a relatively short timeframe.

### 3.5 Borrowing Strategy

3.5.1 The Council is not expecting to take any new external loans during the current and next two financial years as the current Capital Financing Requirement estimates will be fully financed by existing borrowing. We will continue to assess the opportunities to borrow and look to use a mix of external loans to finance any further increases in the Capital Financing Requirement (CFR). Any opportunities to reduce interest costs by maintaining an under-borrowed position will be considered. This means that the capital borrowing need (the CFR), will not be fully funded with external loans as cash supporting the Council's reserves, balances and cash flow will be used as a temporary

measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Based on the current external loan portfolio, the Council would need to repay some of the existing loans to achieve an internal borrowing position. The current PWLB early repayment terms do not make this financially beneficial, but it will be continually reviewed to ensure any opportunities to mitigate the net interest costs are considered.

3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Corporate Director for Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any further external borrowing could be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the external loan portfolio position will be re-appraised. This would include loan rescheduling opportunities as they may be more affordable when gilt yields rise from current levels. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. Before any new loans are taken a review would be undertaken to consider alternative repayments structures to ensure the most efficient loans are added to the current portfolio.

3.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### **3.6 Policy on Borrowing in Advance of Need**

3.6.1 Any decision to borrow in advance will be secured on a case by case basis on the most advantageous terms available, predominantly through borrowing or any other unallocated or available Council reserve, or capital receipt.

3.6.2 Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- The authority would not look to borrow more than 36 months in advance of need.



- 3.6.3 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.
- 3.6.4 The Council will not borrow more than, or in advance of need as part of the funding for investments of developments so as to benefit from the investment of the extra sums borrowed (para 46 & 47 SGLGI). There are no circumstances in which the Council would seek to disregard the prohibition on borrowing ahead of need, purely for profit.
- 3.6.5 The Council's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired rental income or borrowing costs increasing are explained in the section on Risk Assessment within the Capital Strategy.
- 3.6.6 Latest guidance issued by the Secretary of State makes clear that borrowing to finance the acquisition of non-financial investments (e.g. commercial property investment) made purely for profit shall be considered 'borrowing in advance of need'.
- 3.6.7 Such investment would most likely be considered capital and determined under the guiding principles outlined separately in the Capital Strategy and outside the scope of this Treasury Management Strategy. However, and to be clear, the Council will not borrow for capital investment made solely for yield generating opportunities.

### **3.7 Debt Rescheduling**

- 3.7.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.
- 3.7.2 If external loan rescheduling options were identified, they would be presented and reported to the Council, at the earliest meeting available.

### **3.8 New Financial Institutions as a Source of Borrowing**

- 3.8.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, if additional loans are required, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)

- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time and minimum amounts of borrowing).

3.8.2 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.9 Maturity Structure of Borrowing

3.9.1 These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

#### Maturity structure of fixed interest rate borrowing 2022/23

	<b>Lower</b>	<b>Upper</b>
Less than 1 year	0%	10%
Between 1 and 2 years	0%	10%
Between 2 years to 5 years	0%	30%
Between 5 years to 10 years	0%	30%
Between 10 years to 20 years	0%	50%
20 years and above	0%	100%

### 3.10 Approved Sources of Long and Short Term Borrowing

Approved sources of borrowing are as follows:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Medium Term Notes	●	
Finance leases	●	●

# APPENDIX B1

## TREASURY MANAGEMENT SCHEME OF DELEGATION

### (i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

### (ii) Hub Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

### (iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

### (iv) Delegation from the Corporate Director of Strategic Finance (S151) to the nominated posts for the taking of investment decisions

- Head of Finance Practice (Deputy S151)
- Finance Business Partners

## APPENDIX B2

### THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

#### The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe for example 25+ years.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (*TM Code p54*): -

- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## APPENDIX C

### Annual Investment Strategy 2022/23

#### 1. Annual Investment Strategy

##### 1.1 Investment Policy – Management of Risk

1.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of economic regeneration and income yielding assets, are covered in the Capital Strategy, (a separate report).

1.1.2 The Council’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

1.1.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

1.1.4 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix C1 under the categories of 'specified' and 'non-specified' investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio, (see Appendix C1).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 1.2.6.
7. **Transaction limits** are set for each type of investment in 1.2.6.
8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 1.4.6).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 1.3.1).
10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. **Statutory override on pooled investments.** As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments, by announcing a statutory override to delay implementation of



IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments, the change in fair value was immaterial in 2020/21.

**13. Investments in equity instruments designated at fair value through other comprehensive income.** Upon transition to IFRS9 – Financial Instruments on 1 April 2018, the Council elected to designate the CCLA investment (£500,000) as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash. The Council currently holds £0.5m in the CCLA Property Fund.

**1.1.5** However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 1.5.1). Regular monitoring of investment performance will be carried out during the year.

**1.1.6** The above criteria are unchanged from last year.

## **1.2 Creditworthiness Policy**

**1.2.1** This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

**1.2.2** This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour - not to be used

**1.2.3** The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

**1.2.4** Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

**1.2.5** All credit ratings will be monitored on a real-time basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

**1.2.6** Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5 years	Up to 5 years	Up to 5 years	Up to 2 years	Up to 1 year	Up to 1 year	Up to 6 months	Up to 100 days	No colour

	<b>Minimum credit criteria/colour band</b>	<b>Limit per institution Max % of total investments</b>	<b>Maximum maturity</b>
DMADF	n/a	100%	6 months
Money Market Funds	AAA	£3m	Daily liquidity
Cash Plus Funds/ Ultra short bond funds	AAA, AA	£3m	T+1 to T+4
CCLA Local Authorities Property Fund	Not credit rated	£1.0m	No fixed maturity date but will generally be held for up to 7 years
Local Authorities	Yellow	£3 million per institution	5 years
Unsecured investments with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	£3m (£4m for Lloyds plc)	Up to 5 years Up to 2 years Up to 1 years Up to 1 years Up to 6 months Up to 100 days Not for use
Share capital in a body corporate	N/A	nil	N/A
Loan capital in a body corporate	N/A	nil	N/A

## Creditworthiness

**1.2.7** Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

**1.2.8 CDS prices.** Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

### 1.3 Other limits

**1.3.1** Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** (see Appendix C2).
- c) **Other limits.** In addition:
  - no more than £3 million will be placed with any non-UK country at any time;
  - limits in place above will apply to a group of companies;
  - sector limits will be monitored regularly for appropriateness.

**1.3.2 Loans.** In accordance with the Statutory Guidance on Local Government Investments, a local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth.

The Council can make such loans whilst continuing to have regard to this guidance, subject to the following requirements of the Council's strategy, being:-

- i) Total financial exposure to these type of loans is proportionate;
- ii) The Council uses an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS)

9 Financial Instruments as adopted by proper practices to measure the credit risk of its loan portfolio;

- iii) The appropriate credit control arrangements to recover overdue repayments are in place; and
- iv) The local authority has formally agreed the total level of loans by type that it is willing to make and the total loan book is within the self-assessed limit.

## 1.4 Investment Strategy

**1.4.1 In-house Funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

**1.4.2 Investment Returns Expectations.** The Bank Rate increased to 0.50% in February 2022 and is expected to increase further during 2022.

**1.4.3 Investment treasury indicator and limit -** total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

**1.4.4** The Council is asked to approve the following treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Principal sums invested for longer than 365 days	£500,000	£500,000	£500,000
Current investments as at 31.01.22 in excess of 1 year maturing in each year*	£500,000	£500,000	£500,000

\* *Monies already invested in the CCLA Property Fund (£500,000 at 31.3.2021) – A further £0.5m investment in the CCLA Property Fund was approved as part of the 2020/21 Budget – Note this Investment of £0.5m has not currently been made due to the Coronavirus pandemic.*

**1.4.5** For its cash flow generated balances, the Council will seek to utilise its money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

**1.4.6** The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.

## **1.5 Investment Performance / Risk Benchmarking**

**1.5.1** The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the Sterling Overnight Interbank Average rate (SONIA).

## **1.6 End of Year Investment Report**

**1.6.1** At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## APPENDIX C1

### Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

#### Specified Investments

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£3 million per fund	Liquid
Ultra Short Dated Bond Funds	AAA	£3 million	Liquid
Local authorities	Yellow	£3 million per institution	12 months
Term deposits with banks and building societies	Blue	£3 million per institution (£4 million for Lloyds)	Up to 1 Year
	Orange		Up to 1 Year
	Red		Up to 6 months
	Green		Up to 100 days
	No Colour		Not for use

## Non-Specified Investments

Investment instruments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Council's CCLA Property Fund investment of £500,000 is currently the only investment type that the Council has which meets the definition of a non-specified investment. A further £500,000 investment was approved as part of the 2020/21 Budget.

*Note this Investment of £0.5m has not currently been made due to the Coronavirus pandemic*

The limits shown below for share capital and loan capital are the maximum limits for this investment type.

	<b>Minimum credit criteria / colour band</b>	<b>Max % of total investments/ £ limit per institution</b>	<b>Max. maturity period</b>
Property Investment Funds – CCLA	N/A	£1 million	No fixed maturity date but will generally be up to 7 years
UK Government Gilts	Yellow	£3 million	5 Years
Share capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
Loan capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
<b>TOTAL</b>		<b>£4 million</b>	

\*Although the current limit is nil for 2022/23, this could change in the future therefore this row has been included for completeness.

NOTE 1. The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. The Council will seek further advice on the appropriateness and associated risks with investments in these categories. At the current time, there is not predicted to be any share capital or loan capital for 2022/23 and these lines in the table are shown for completeness only.



## APPENDIX C2

### APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

***Although the countries listed below are eligible for Investment as their credit rating is AA- or higher, the Council mainly invests with Banks or Building Societies within the UK.***

#### ***Based on lowest available rating***

##### AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### AA+

- Canada
- Finland
- U.S.A.

##### AA

- Abu Dhabi (UAE)
- France

##### AA-

- Belgium
- Hong Kong
- Qatar
- U.K

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Report to: **Audit Committee**  
Date: **15<sup>th</sup> March 2022**  
Title: **Budget Book 2022/23**  
Portfolio Area: **Performance & Resources – Cllr C Edmonds**  
  
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Pauline Henstock** Role: **Head of Finance Practice**  
**Steve Williams** **Specialist - Accountant**

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**Recommendations:**

**That the Audit Committee:**

1. Notes the content of the Budget Book for 2022/23.

## **1. Executive summary**

Attached is a copy of the Budget Book for 2022/23. This sets out the Council's Revenue Budget for the year into the four Directorates of Customer Service and Delivery, Place and Enterprise, Governance and Assurance and Strategic Finance.

## 2. Background

The Budget Book compares the Budget for 2021/22 against the Budget for 2022/23. Cost pressures and savings which were set out in the Medium Term Financial Strategy (MTFS) and agreed as part of the budget process are shown in the 'MTFS' column, with a note underneath. For example, the income target for Treasury Management investment income has been reduced by £80,000 for 2022/23, and this is shown in Cost Centre W6050 Interest and Investment Income.

The Budget Book shows any 'virements' within 2021/22. A virement is where a budget is moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.

In addition various presentational changes have been made to the 2022/23 budget shown in the 'other adjustments' column in the Budget Book. This aligns budgets to reflect current income and expenditure arrangements. These adjustments net to zero overall, as they are purely presentational.

## 3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to set a Balanced Budget each financial year.
Financial Implications to include reference to value for money	Y	There are no direct financial implications as a result of this report.  The annual budget setting process will ensure the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.  The Council's auditors, Grant Thornton, provide an annual value for money opinion for the Borough Council, which is reported to Members with the Audited Accounts each year.
Risk	Y	The Council's budget book sets out the income and expenditure budgeted for each service area. A prudent level of reserves is held by the Council to mitigate against financial risk.
Supporting Corporate Strategy	Y	The budget book report supports all of the Thematic Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.

Climate Change – Carbon / Biodiversity Impact	N	None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	None

### **Appendices**

Appendix A – Budget Book summary 2022/23

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/a</b>

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**West Devon Borough Council**

**Draft Base Revenue Budget for the Financial Year 2022/23**

			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
Service Group	SLT Budget Manager	21/22 Base Net Budget £'s	21/22 Virements £'s	21/22 Revised Net Budget £'s	22/23 Pressures/ (Savings) £'s	22/23 Budget Preparation Virements £'s	22/23 Salary Estimate Virements £'s	22/23 Final Base Budget £'s	
a)	Customer Service & Delivery	Steve Mullineaux	5,898,878	5,839	5,904,717	346,600	0	(75,600)	6,175,717
b)	Place & Enterprise	Chris Brook	(1,114,258)	0	(1,114,258)	38,700	0	1,700	(1,073,858)
c)	Governance & Assurance	Drew Powell	2,659,021	(5,839)	2,653,182	82,700	0	35,700	2,771,582
d)	Strategic Finance	Lisa Buckle	412,242	0	412,242	0	0	38,200	450,442
<b>Total</b>			<b>7,855,883</b>	<b>0</b>	<b>7,855,883</b>	<b>468,000</b>	<b>0</b>	<b>0</b>	<b>8,323,883</b>
Reversal of Depreciation			(554,188)						(554,188)
<b>Net Budget Total</b>			<b>7,301,695</b>						<b>7,769,695</b>
<b>Funded by:</b>									
Localised Business Rates			1,673,223						1,698,534
Business Rates Pooling Gain			40,000						200,000
New Homes Bonus			192,772						150,000
Council Tax (an increase of £5 in 22/23)			4,890,473						5,102,220
Collection Fund Surplus			(9,771)						152,000
Rural Services Delivery Grant			487,296						487,296
Lower Tier Services Grant			70,202						75,389
Services Grant (22/23 only)			0						113,606
Contributions (to)/from Earmarked Reserves			(42,500)						(209,350)
Contributions (to)/from Unearmarked Reserves			0						0
<b>Total</b>			<b>7,301,695</b>						<b>7,769,695</b>
			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
a)	Customer Service & Delivery	ELT Budget Manager	21/22 Base Net Budget £'s	21/22 Virements £'s	21/22 Revised Net Budget £'s	22/23 Pressures/ (Savings) £'s	22/23 Budget Preparation Virements £'s	22/23 Salary Estimate Virements £'s	22/23 Final Base Budget £'s
W1010	Customer Contact Centre	Dale Cropper	153,900	0	153,900	5,300	0	(900)	158,300
W1020	Planning Applications and Advice	Pat Whymer	(369,795)	0	(369,795)	(71,000)	0	0	(440,795)
W1040	Local Land Charges	Pat Whymer	(73,806)	0	(73,806)	0	0	0	(73,806)
W1304	Grounds Maintenance	Dale Cropper	107,927	0	107,927	1,500	0	1,100	110,527
W1501	General Health	Ian Luscombe	14,170	0	14,170	0	0	0	14,170
W1531	Licensing	Ian Luscombe	(90,551)	0	(90,551)	0	0	0	(90,551)
W1533	Pest Control	Ian Luscombe	15,493	0	15,493	800	0	0	16,293
W1534	Pollution Control	Ian Luscombe	(2,671)	0	(2,671)	600	0	0	(2,071)
W1535	Food Safety	Ian Luscombe	698	0	698	0	0	0	698
W1536	Health & Safety at Work	Ian Luscombe	1,500	0	1,500	0	0	0	1,500
W1544	Community Safety	Ian Luscombe	6,500	0	6,500	0	0	0	6,500
W1545	Emergency Planning	Ian Luscombe	5,370	0	5,370	0	0	0	5,370
W1551	Homelessness	Isabel Blake	136,877	0	136,877	900	0	0	137,777
W1552	Housing Advice	Isabel Blake	1,200	0	1,200	0	0	0	1,200
W1555	Private Sector Housing Renewal	Ian Luscombe	31,595	0	31,595	0	0	0	31,595

W1565	Housing Benefit Payments	Lorraine Mullineaux	185,953	0	185,953	0	0	0	185,953
W1568	Housing Benefit Administration	Lorraine Mullineaux	(111,187)	0	(111,187)	10,000	(9,613)	0	(110,800)
W1571	Council Tax Collection	Steve Henstock	(201,694)	0	(201,694)	0	0	0	(201,694)
W1574	Council Tax Support	Lorraine Mullineaux	(56,000)	0	(56,000)	0	0	0	(56,000)
W1998	Case Management Customer Service & Delivery	Dale Cropper	1,289,600	0	1,289,600	67,900	0	(57,800)	1,299,700
W1999	Specialists Customer Service & Delivery	Catherine Bowen	1,180,000	0	1,180,000	173,600	0	(35,700)	1,317,900
W4001	Senior Leadership Team	Andy Bates	287,325	0	287,325	12,500	0	3,200	303,025
W4002	Extended Leadership Team	Andy Bates	487,700	0	487,700	26,400	0	(9,000)	505,100
W4004	Corporate Training & Occupational Health	Andy Wilson	18,183	0	18,183	0	0	0	18,183
W4005	Case Management Service Based Training	Dale Cropper	11,700	0	11,700	0	0	0	11,700
W4015	Specialists Service Based Training	Catherine Bowen	12,400	0	12,400	0	0	0	12,400
W4041	Internal Audit	Catherine Bowen	36,500	0	36,500	700	0	(100)	37,100
W4082	Landline Telephones	Mike Ward	21,000	0	21,000	0	0	0	21,000
W4084	ICT Support Contracts	Mike Ward	498,384	0	498,384	(15,100)	0	0	483,284
W4085	Mobile Phones	Mike Ward	14,000	0	14,000	0	0	0	14,000
W4086	ICT Hardware Replacement	Mike Ward	42,084	0	42,084	0	9,613	0	51,697
W4087	Photocopiers/MFD's	Mike Ward	10,000	0	10,000	0	0	0	10,000
W4100	Specialists Human Resources CoP	Catherine Bowen	39,840	0	39,840	1,100	0	200	41,140
W4101	Specialists Legal CoP	Catherine Bowen	120,200	0	120,200	28,900	0	11,800	160,900
W4102	Specialists Design CoP	Catherine Bowen	33,500	0	33,500	1,100	0	(6,300)	28,300
W4103	Specialists Finance CoP	Catherine Bowen	153,363	0	153,363	5,300	0	11,800	170,463
W4104	Specialists ICT CoP	Catherine Bowen	259,479	0	259,479	9,100	0	(15,700)	252,879
W4150	Case Management Support Services	Dale Cropper	195,100	0	195,100	(10,700)	0	(4,300)	180,100
W4159	Case Management Digital Mail Room	Dale Cropper	79,100	0	79,100	1,300	0	2,100	82,500
W4160	Corporate Management	Pauline Henstock	101,345	0	101,345	14,000	0	0	115,345
W4166	ICT Customer Support	Dale Cropper	42,200	0	42,200	2,400	0	24,000	68,600
W4169	Central Service Overheads	Catherine Bowen	17,642	0	17,642	0	0	0	17,642
W6046	Borrowing Costs	Pauline Henstock	1,298,075	5,839	1,303,914	0	0	0	1,303,914
W6056	Interest & Investment Income	Pauline Henstock	(105,321)	0	(105,321)	80,000	0	0	(25,321)
			5,898,878	5,839	5,904,717	346,600	0	(75,600)	6,175,717
			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)

b)	Place & Enterprise	Budget Manager	21/22 Base Net Budget	21/22 Virements	21/22 Revised Net Budget	22/23 Pressures/ (Savings)	22/23 Budget Preparation Virements	22/23 Salary Estimate Virements	22/23 Final Base Budget
			£'s	£'s	£'s	£'s	£'s	£'s	£'s
W1030	Economic Development	Sarah Gibson	59,291	0	59,291	30,400	0	0	89,691
W1060	Community Development	Sarah Gibson	42,500	0	42,500	10,000	0	0	52,500
W1102	Tamar Valley Trust	Laura Wotton	58,982	0	58,982	3,500	0	0	62,482
W1104	Land & Investment Properties	Laura Wotton	(1,081,600)	0	(1,081,600)	0	0	0	(1,081,600)
W1161	Kilworthy Park Offices	Laura Wotton	249,392	0	249,392	15,200	0	400	264,992
W1200	Public Transport Assistance	Sarah Gibson	13,185	0	13,185	0	0	0	13,185
W1306	Countryside Recreation	Laura Wotton	10,080	0	10,080	0	0	0	10,080
W1309	Tree Maintenance	Laura Wotton	20,000	0	20,000	0	0	0	20,000
W1311	Outdoor Sports & Recreation	Laura Wotton	12,810	0	12,810	0	0	0	12,810
W1400	Employment Estates	Laura Wotton	(50,731)	0	(50,731)	(39,800)	0	0	(90,531)
W1553	Housing Enabling	Sarah Gibson	240	0	240	0	0	0	240
W2101	Car & Boat Parking	Laura Wotton	(618,929)	0	(618,929)	12,100	0	1,300	(605,529)
W2310	Dog Warden Service	Laura Wotton	3,322	0	3,322	100	0	0	3,422
W2400	Public Conveniences	Sarah Gibson	111,899	0	111,899	6,400	0	0	118,299
W2721	Waste Depots	Laura Wotton	55,301	0	55,301	800	0	0	56,101
			(1,114,258)	0	(1,114,258)	38,700	0	1,700	(1,073,858)
			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)



c) Governance & Assurance		Budget Manager	21/22 Base Net Budget £'s	21/22 Virements £'s	21/22 Revised Net Budget £'s	22/23 Pressures/ (Savings) £'s	22/23 Budget Preparation Virements £'s	22/23 Salary Estimate Virements £'s	22/23 Final Base Budget £'s
W1310	Leisure Centres	Jon Parkinson	26,077	(5,839)	20,238	0	0	0	20,238
W2017	Street and Beach Cleaning	Sarah Moody	485,945	0	485,945	16,200	0	0	502,145
W2701	Waste & Recycling Collection Contract	Sarah Moody	1,532,539	0	1,532,539	61,000	0	0	1,593,539
W2713	Trade Waste Services	Sarah Moody	(13,300)	0	(13,300)	0	0	0	(13,300)
W2715	Garden Waste Collection	Sarah Moody	14,500	0	14,500	0	0	0	14,500
W3001	Electoral Registration	Liz Tucker	97,245	0	97,245	2,000	0	(200)	99,045
W3030	Staff Forum	Lesley Crocker	5,000	0	5,000	0	0	0	5,000
W3041	Communications & Media	Lesley Crocker	38,430	0	38,430	900	0	19,100	58,430
W3050	Democratic Representation & Management	Darryl White	246,035	0	246,035	0	0	0	246,035
W3051	Member Support & Democratic Services	Darryl White	104,850	0	104,850	2,600	0	16,800	124,250
W4200	Insurance	Neil Hawke	83,231	0	83,231	0	0	0	83,231
W4511	Building Control Services	Drew Powell	38,469	0	38,469	0	0	0	38,469
			2,659,021	(5,839)	2,653,182	82,700	0	35,700	2,771,582
			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
d) Strategic Finance		Budget Manager	21/22 Base Net Budget £'s	21/22 Virements £'s	21/22 Revised Net Budget £'s	22/23 Pressures/ (Savings) £'s	22/23 Budget Preparation Virements £'s	22/23 Salary Estimate Virements £'s	22/23 Final Base Budget £'s
W4009	Non Distributed Costs	Lisa Buckle	452,242	0	452,242	0	0	38,200	490,442
W4010	Inflation/Pension Provision	Lisa Buckle	0	0	0	0	0	0	0
W611	Business Rates Income	Lisa Buckle	(40,000)	0	(40,000)	0	0	0	(40,000)
			412,242	0	412,242	0	0	38,200	450,442

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Report to: **Audit Committee**  
Date: **15<sup>th</sup> March 2022**  
Title: **Shared Services Methodology 2021/22**  
Portfolio Area: **Performance & Resources –  
Cllr Chris Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Pauline Henstock** Role: **Head of Finance Practice**

Contact: **Email: [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)**

**Tel: 01803 861377**

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## **Recommendation:**

- 1. That the Audit Committee notes the methodology of the shared services apportionment of costs between West Devon Borough Council and South Hams District Council for 2021/22, as attached in Appendix A.**

## **1. Executive summary**

- 1.1** The methodology for the apportionment of costs (predominantly staffing costs) between West Devon Borough Council and South Hams District Council is set out in the attached Appendix. The staffing costs of a particular service team are split on a defined basis as set out. The split of costs reflects the level of caseload which is attributable to each Council's individual service.

## 2. Background

- 2.1** This report is the annual report to the Audit Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.
- 2.2** West Devon Borough Council and South Hams District Council have been shared service partners since 2007. The Councils have a shared non-manual workforce.
- 2.3** Appendix A sets out the methodology and the percentage on which staff costs and other related costs for each service are split between West Devon Borough Council and South Hams District Council. The caseload statistics are the actual caseloads for each service mainly for the period April 2021 to the end of December 2021 (9 months).
- 2.4** The final actual shared services split formulae have only been adjusted if they exceed a tolerance level of 3% from the original estimate of the shared services split. Anything where the difference between the actual and the estimate is 3% or below has not been changed.

## 3. Outcomes/outputs

- 3.1** The most significant areas of change relate to:
- (a) **Waste** – due to the implementation of the Devon Aligned Service in South Hams, a lower allocation was charged to West Devon than normal for the Waste service in 2020/21. Each Waste role has been reviewed individually for 2021/22 and some of the apportionments have changed with a slightly higher allocation to West Devon in 2021/22. This will increase the salary recharge to West Devon by £2,200.
  - (b) **Customer Contact Centre** – the shared services split has moved from 66%:34% to 71%:29% based on the number of calls in each Authority, reducing the salary recharge to West Devon by £24,700 in 2021/22.
  - (c) **Environmental Health (Disabled Facilities Grants)** – the shared services split for 2021/22 has been revised from 63%:37% to 59%:41% based on the number of completed applications. This will increase the salary recharge to West Devon by £5,000.

- (d) **Extended Leadership Team** – the majority of the Extended Leadership Team allocations have remained the same for 2021/22 (mainly 50%:50% or 60%:40% South Hams/West Devon). However, the time allocation for the Head of Legal Practice has been revised as a one off for 2021/22 from 60%:40% to 70%:30% South Hams/West Devon, to reflect the additional work in South Hams. This will reduce the salary recharge to West Devon by £7,900. In addition the Business Manager for Case Management moved to the Interim Head of Waste and Environmental Services which has changed her allocation for 2021/22 from 50%:50% to 60%:40% South Hams/West Devon. This has resulted in a reduction to the salary recharge to West Devon of £6,300 in 2021/22.

- 3.2** Most service areas remain unchanged or below the tolerance level set at 3%. Details of all the allocations and the methodologies used are set out in Appendix A.

#### **4. Options available and consideration of risk**

- 4.1** Our external auditors, Grant Thornton have identified the sharing of costs between West Devon Borough Council and South Hams District Council as a key risk area. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate, consider any changes from the prior year basis, test the calculations of transferred costs, and confirm that their work has not identified any issues with the allocation of shared costs.

#### **5. Proposed Way Forward**

- 5.1** Shared service allocations and the methodologies used are reviewed on an annual basis. Further reports will be brought to the Audit Committee.

#### **6. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to maintain adequate governance and financial arrangements to ensure a fair allocation of shared costs is absorbed by each individual Council.

Financial implications to include reference to value for money	Y	The review of shared services splits <b>will reduce the staffing costs (salary recharge) for West Devon by £31,700 in 2021/22</b> which equates to 0.7% of the Council's total salary budget.  This mainly reflects the change in apportionment for the Customer Contact Centre.
Risk	Y	The allocation of shared costs is identified by Grant Thornton as one of the key financial statement audit risks. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate and confirm that their work has not identified any issues with the allocation of shared costs. Grant Thornton will continue to carry out testing on the 2021/22 shared services allocations as part of the Final Accounts Audit.
Supporting Corporate Strategy		The apportionment of shared service costs supports all of the Thematic Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

## **Appendices**

Appendix A – List of shared service apportionments for 2021/22

**Shared Services Allocations of costs for the Financial Year 2021/2022**

**Appendix A**

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Governance &amp; Assurance</b>			
Leisure	67%/33%	Number of Leisure Centres	South Hams - 4 West Devon – 2
Waste (see note 1 below)	100%/0% 90%/10%, 80%/20% 70%/30% 60%/40%	Dependent on specific activity.	Each role is assessed individually
Communications & Media	50%/50%	Time allocation	N/A
Member Services	50%/50%	Equal due to the nature of the work	N/A

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Customer Service &amp; Delivery</b>			
Customer Contact Centre (see note 2 below)	71%/29%	Number of calls to the Customer Contact Centre April 2021 – Dec 2021	South Hams – 77,297 West Devon – 32,158
Case Management Managers and Team Leaders	50%/50%	Management of case managers and workload	N/A – reflects managerial element of roles
Planning Applications*	75%/25%	Planning applications	South Hams - 1,936 West Devon - 734
Planning Enforcement*	75%/25%	Planning Enforcement cases	South Hams - 439 West Devon - 155



Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Housing Benefits	60%/40%	<p>Housing Benefit new claims processed</p> <p>Change of circumstances processed</p>	<p><u>New claims:</u> South Hams - 182 West Devon - 133</p> <p><u>Change of circs:</u> South Hams – 1,949 West Devon – 1,280</p>
Council Tax	63%/37%	Council Tax rated properties (Valuation office list as at 30 December 2021)	South Hams – 45,670 West Devon – 26,345
Business Rates	63%/37%	Business Rates Rating List (Rateable Values as at 30 December 2021). The Rateable Values are an indicator, but an assessment of workload is used for the apportionments	South Hams – £86,747,206 West Devon – £32,839,979

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Environmental Health CoP – various apportionments	Main team allocation 60%/40%	Various depending on their work	Various depending on their work
	Disabled Facility Grants work (59%/41%) (see note 3 below)	Disabled Facility Grant/Regulatory Reform Order Grant cases completed	South Hams – 103 West Devon - 72
	Licensing (50%/50%)	Policy Work	N/A
Housing CoP – various apportionments*	Housing caseload data 60%/40%	<p>Number of contacts resulting in cases</p> <p>Number of housing preventions</p> <p>Numbers on the housing register</p> <p>Number of Direct Lets</p>	<p>South Hams - 160 West Devon - 120</p> <p>South Hams - 142 West Devon - 85</p> <p>South Hams – 1,612 West Devon – 1,018</p> <p>South Hams - 30 West Devon - 7</p>

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
HR CoP*	74%/26%	Permanent posts on the establishment December 2021 (this relates to the number of persons employed not the number of FTEs).	South Hams – 304 West Devon – 104
Legal CoP	60%/40%	Time allocation	N/A
Finance CoP	60%/40%	Time allocation	N/A
Design CoP	60%/40%	Time allocation	N/A
ICT Infrastructure team	50%/50%	Time allocation	N/A
ICT Helpdesk team	60%/40%	Time allocation	N/A
Case Management Support Services	60%/40%	Time allocation	N/A
Digital Mailroom	70%/30%	Time allocation	N/A
Internal Audit	62%/38%	Time recording of productive time only	Each role is assessed

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Place &amp; Enterprise</b>			
Place Making	50%/50%	Equal due to the nature of the work	N/A
Assets*	69%/31%	Balance Sheet Assets in each Council's Accounts. The Balance Sheet values at 31 <sup>st</sup> March 2021 are an indicator, but an assessment of workload is used for the apportionments.	South Hams £98million West Devon £46million
Facilities	50%/50%	Time allocation	N/A
<b>Extended Leadership Team</b> (see note 4 below)	Various splits of individual posts, most either 50%/50% or 60%/40%	Time allocation	Each role is assessed
<b>Senior Leadership Team</b>	50%/50%	Time allocation	Each role is shared on a 50%/50% basis

\* Areas of change below the 3% threshold

### **Significant Areas of change from 2020/21:**

1. **Waste** – Due to the implementation of the Devon Aligned Service in South Hams, a lower allocation was charged to West Devon than normal for the Waste service in 2020/21. Each Waste role has been reviewed individually for 2021/22 and some of the apportionments have changed with a slightly higher allocation to West Devon in 2021/22. This is expected to increase further in 2022/23.
2. **Customer Contact Centre** – change in the numbers of phone calls. (South Hams/West Devon, previously 66%/34%, revised split 71%/29%).
3. **Disabled Facilities Grants** – change in the number of Disabled Facility Grant/Regulatory Reform Order Grant cases completed (South Hams/West Devon previously 63%/37%, revised split 59%/41%).
4. **Extended Leadership Team** – the majority of the Extended Leadership Team allocations have remained the same for 2021/22 (mainly 50%/50% or 60%/40% South Hams/West Devon). However, the time allocation for the Head of Legal Practice has been revised as a one off for 2021/22 from 60%/40% to 70%/30% South Hams/West Devon, to reflect the additional work in South Hams. In addition the Business Manager for Case Management moved to the Interim Head of Waste and Environmental Services which has changed her allocation for 2021/22 from 50%/50% to 60%/40% South Hams/West Devon.

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Report to: **Audit Committee**  
Date: **15 March 2022**  
Title: **Sundry Debt**  
Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: N/A

Author: **Clare Scotton** Role: **Finance Business Partner**  
**Pauline Henstock** **Head of Finance Practice**  
**and Deputy S.151 Officer**

Contact: **01803 861559** [clare.scotton@swdevon.gov.uk](mailto:clare.scotton@swdevon.gov.uk)  
**01803 861377** [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)

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## **Recommendation:**

That the Audit Committee note the position in relation to Sundry Debt

### **1. Executive summary**

- 1.1 The Council is responsible for the collection of: Sundry Debts, Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates (NNDR).
- 1.2 This report provides Members with an update of the position of Sundry Debt and Housing Benefits Overpayments up to 31 January 2022.

### **2. Background**

- 2.1 The Council's management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services. Incorporated within this, is the timely collection of monies due to the Council. Debts are recovered in accordance with the Council's Recovery Policy as published on our website.

- 2.2 Following the centralisation of debt recovery into one service from October 2017 and the implementation of the Debt Recovery Action Plan, Members requested a series of updates to demonstrate robust control of debt recovery procedures, particularly relating to sundry debt.
- 2.3 The implementation of a comprehensive action plan has resulted in robust recovery procedures. This report outlines the latest positions in collection relating to Sundry Debt and Housing Benefit Overpayments by providing data that demonstrates the progress made.

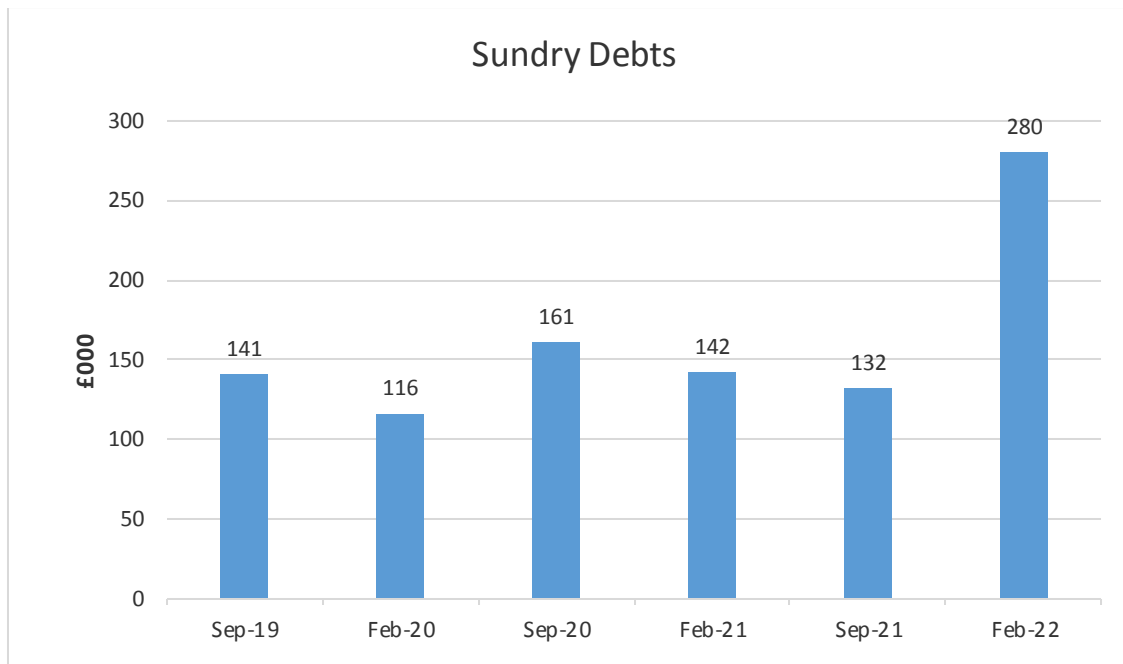
### **3. Outcomes/outputs**

- 3.1 The arrears covered in this report are split into three categories as follows:
  - a. Sundry Debts
  - b. Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit
  - c. Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit
- 3.2 All Council sundry debts are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a series of reminders are issued promptly to the debtor. If this fails to secure payment, recovery is pursued through the courts.
- 3.3 The Council took the decision to pause the chasing of Sundry Debts at the start of the pandemic but this process has now resumed and reminder letters are being sent out.

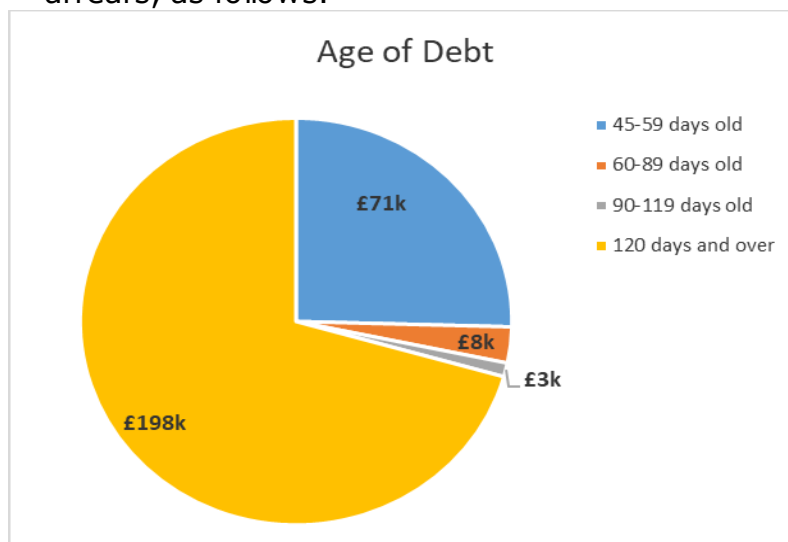


### Sundry Debts

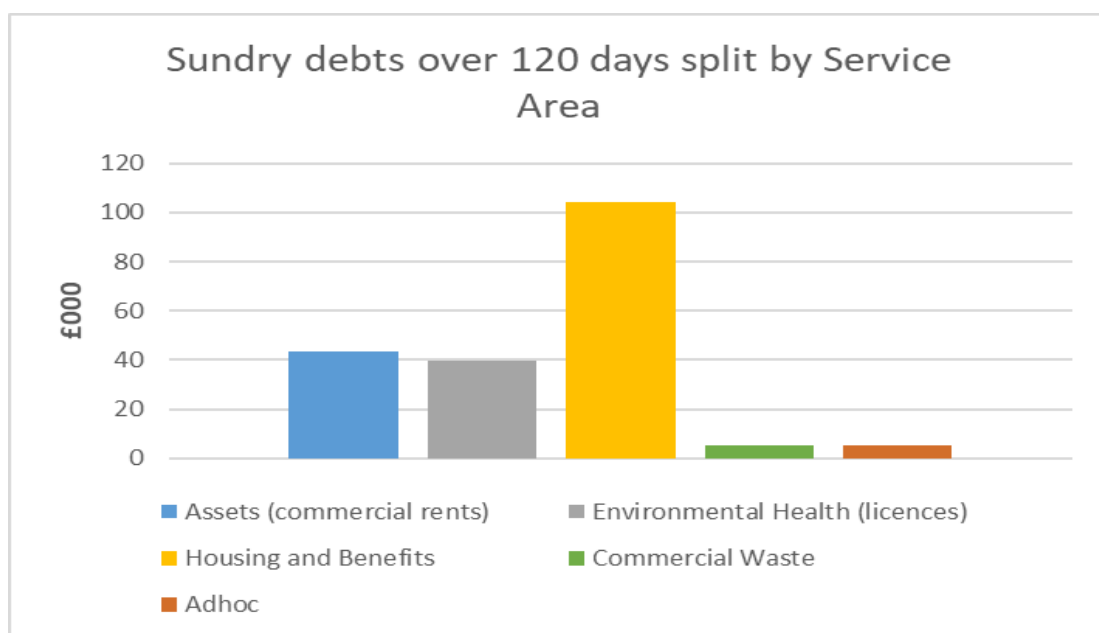
3.4 The balance of arrears for Sundry Debts over recent years is summarised below. The balance has increased from £132k in September 2021 to £280k in February 2022. This increase includes two large debts (totalling £82k) where repayment plans are in place and two further large debts (totalling £67k) which the customers have agreed to pay in full during March. Whilst the graph below shows the level of debt has more than doubled, this is just a timing issue and the information represents a snapshot in time of the debtor's position. Sundry Debts consist of Estates Management, Licencing and Housing. This excludes car parking fines which are included on a different system.



3.5 This balance of £280k can be further broken down by age category to give a clearer picture of the nature of Sundry Debt arrears, as follows.



- 3.6 The current balance for Sundry Debts of £280k includes seven high value debtors (in excess of £10k). One invoice relates to rental income from a tenant in one of the Council's let units, who was suffering financial difficulties prior to Covid and their financial position is still suffering. A payment plan has been set up and the debt will reduce over the coming months. Another invoice is for outstanding rent and a payment plan has been set up to gradually clear the debt. The tenant is no longer occupying the property therefore the debt will not rise any further. Agreement has been reached to settle a third invoice in the coming weeks. Three of the other invoices have been sent final notice letters and one other has been passed to the recovery team.
- 3.7 Sundry debts over 120 days total £198k and can be further analysed by service area below. It can be seen that just over £104k relates to Housing and Benefits which are notoriously difficult debts to recover. This makes up 53% of the total debt in this age category. Just under £40k relates to Environmental Health invoices. The majority of these are licences and therefore low value, high volume. Licensing invoices were not being chased during the pandemic and customers who had already paid are were offered refunds under the Council's Additional Restrictions Grant (ARG) Business Grant scheme. This scheme has now finished and all outstanding licensing invoices are being actively pursued.
- 3.8 Just over £43k relates to commercial rents and slow recovery is expected in the current financial climate. The Assets team are working closely with tenants to work out a payment plan to recover these debts.

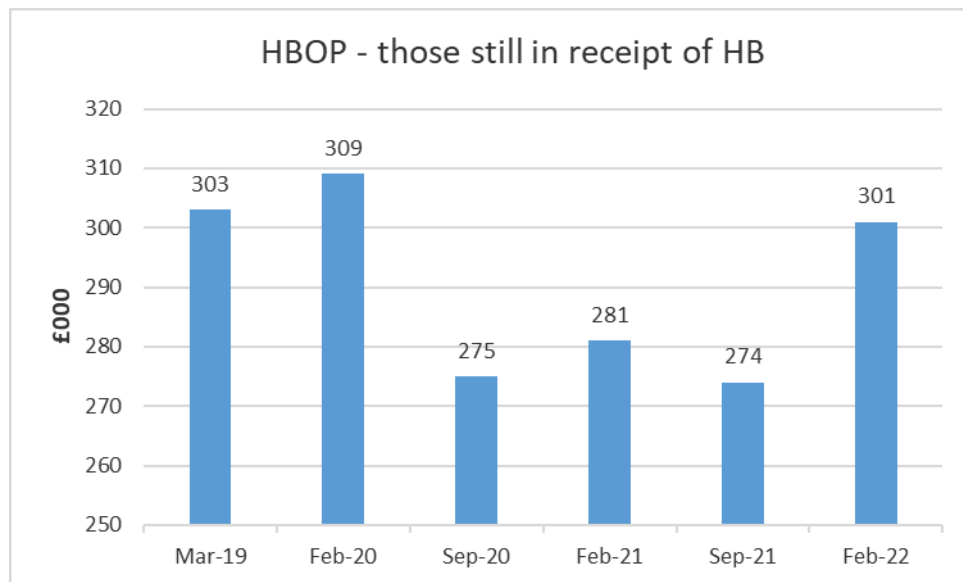


### **Sundry debt written off**

- 3.9 Sundry debts totalling £6.60k have been written off in the first six months of 2021/22 due to their age and likelihood of being recovered. No further debts have been written off in the second half of 2021/22 to date.

### **Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit**

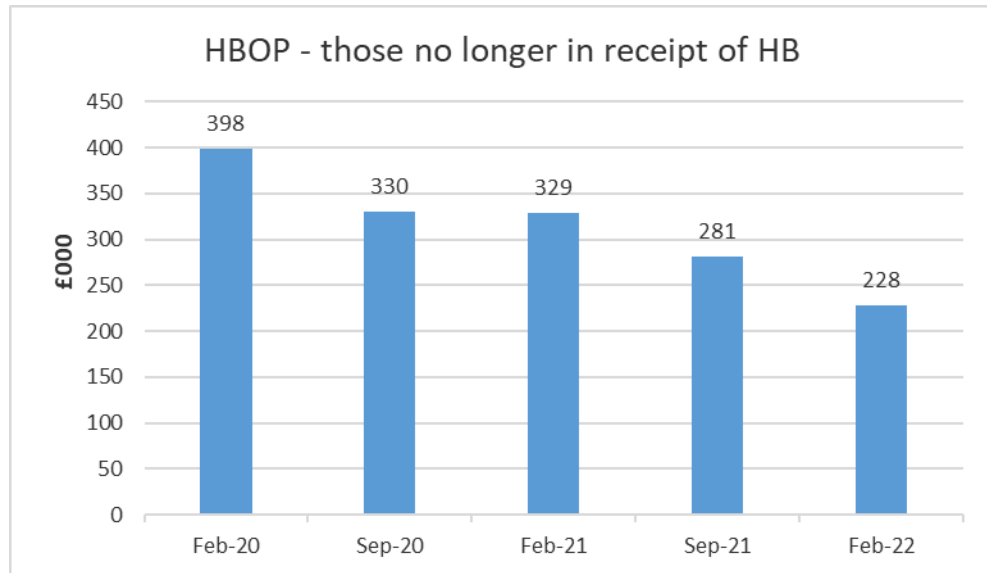
- 3.10 The balance of arrears for Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit is £301k as at 31<sup>st</sup> January 2022, an increase on the balance of £274k as at 30<sup>th</sup> September 2021. The balance over time can be seen on the chart below.



- 3.11 Recovery action was paused following the initial lockdown in March 2020 but this process is now back up and running. The Case Management team make every effort to identify overpayments promptly and so begin the recovery process whilst amounts are still relatively low. By recovering these debts whilst people are still in receipt of Housing Benefit, the ease of recovery is greater, as is the likelihood of full recovery.

### **Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit**

3.12 The balance of arrears for Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit is £228k as at 31<sup>st</sup> January 2022, a decrease on the balance of £281k as at 30<sup>th</sup> September 2021. The balance overtime can be seen on the chart below.



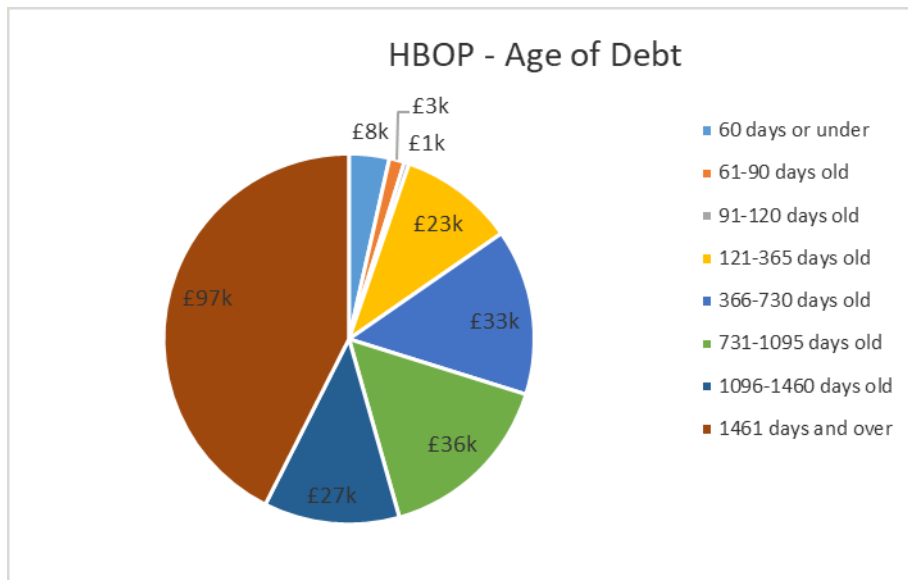
3.13 The amount outstanding is continuously monitored and well managed for both categories of Housing Benefit Overpayment Recoveries. A downwards trend is expected as members of the public move increasingly from the Housing Benefit system over to the Universal Credit system.

3.14 The effect of this will be that less Housing Benefit will be administered by the Authority and so the amount that is overpaid will also reduce.

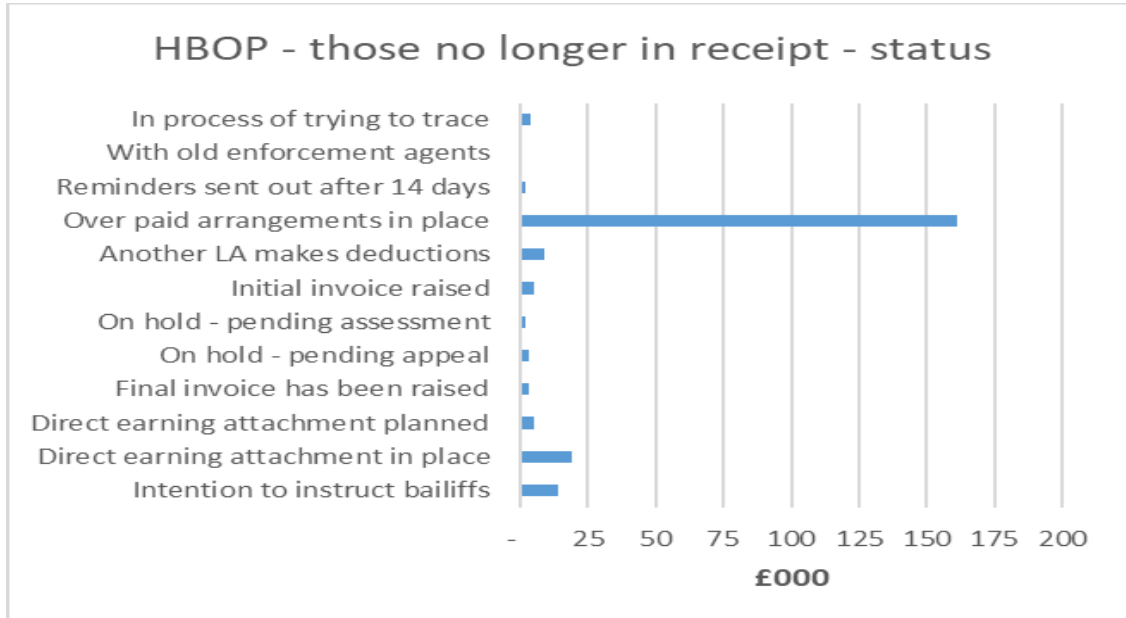
### **Housing Benefit write offs**

3.15 Since 1<sup>st</sup> April 2021, just over £40,800 of this debt has been written off.

3.16 The balance of £228k can be further broken down by age category to give a clearer picture of the nature of these arrears, as follows.



3.17 Of this balance, £161k relates to debt where over paid arrangements are in place which makes up 71% of this age category. A full picture showing the status of this debt can be seen below.



#### 4. Options available and consideration of risk

4.1 The Business Manager for Case Management is keen to continue to focus on debt recover and it is anticipated that every effort will be made to recover monies owed to the Council promptly. Where this isn't possible, the debt recovery procedures will be followed and overdue debts will be duly followed up.

#### 5. Proposed way forward

5.1 The Committee note the content of this report and continue half yearly reporting.

#### 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The guidelines for Statutory Interest Charging and adding recovery costs falls under the European Directive 2011/7/EU on Combating Late Payment in Commercial Transactions. Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.
Financial implications to include reference to value for money	Y	Improved income collection, resulting in less impact of uncollectable debt on the Income and Expenditure Account, due to fewer write offs.
Risk	Y	There remains a risk of income not being collected. The Debt Recovery Plan alongside the Debt Recovery Policy seeks to minimise this. Risk to reputation is managed carefully by prompt recovery of amounts due wherever possible. This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue and these are written off in accordance with the Council's Write Off Policy
Supporting Corporate Strategy		The debt recovery process supports all of the Thematic Delivery Plans outlined in 'A Plan for West Devon'.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.

Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place.
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	None

### **Supporting Information**

#### **Appendices:**

None

#### **Background Papers:**

None

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed/sign off	<b>Yes</b>
SLT Rep briefed/sign off	<b>Yes</b>
Relevant Heads of Practice sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
Accessibility checked	<b>N/A</b>

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Report to: **Audit Committee**  
Date: **15 March 2022**  
Title: **Review of Confidential Reporting Policy**  
Portfolio Area: **Cllr Jory – Leader of the Council**  
Wards Affected: **All**  
Urgent Decision: **N** Approval and clearance obtained: **Y**

**Council 5 April  
2022**

Author: **David Fairbairn** Role: **Head of Legal and  
Monitoring Officer**

Contact: **David.Fairbairn@swdevon.gov.uk**

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## **Recommendations:**

**That the Audit Committee recommends that the Council adopts the reviewed Confidential Reporting Policy and related Frequently Asked Questions attached at Appendices 1 and 2**

### **1. Executive summary**

- 1.1 The purpose of this report is to ask the Audit Committee to review the attached Confidential Reporting Policy (sometimes referred to as the Whistle-blowing Policy), associated Frequently Asked Questions, and recommend their adoption to Council.
- 1.2 It is important that the Council regularly reviews its Confidential Reporting Policy to ensure that it is fit for purpose and reflects both current legislation and best practice, and supports the Council's practices in relation to this important issue.

### **2. Background**

- 2.1 The Confidential Reporting Policy is attached at Appendix 1 along with the Frequently Asked Question to help staff at Appendix 2.

- 2.2 This Policy allows workers employed by the Council to 'blow the whistle' on fraud, corruption, abuse or other inappropriate action or behaviour by someone inside, or working for, the Council. The Policy is designed to protect the 'whistle-blower' from potential adverse consequences.
- 2.3 Whilst the Confidential Reporting Policy was last reviewed in 2019 by Statutory Officers to ensure continuing compliance with the law and best practice, the Audit Committee has not formally reviewed this Policy since its adoption in 2016.
- 2.4 Only minor amendments have been required to the Policy to reflect current practice and reporting structures and it remains fit for purpose.
- 2.5 In the Auditor's Annual Report for 2020/21 presented to the Audit Committee in October 2021, Grant Thornton recommended that the Council should review its Confidential Reporting Policy annually and update as necessary. This ensures that the Policy is up to date and ensures good governance, minimising risk to the Council.

### **3. Outcomes/outputs**

- 3.1 The Council needs to ensure that its Policies are up to date with legislative requirements and best practice, and also reflect how the Council operates, and this is achieved by regular review by the Monitoring Officer and Section 151 Officer and more formally, by the Audit Committee through its responsibilities for governance and regulatory frameworks.
- 3.2 Through a review of the Council's governance policies the Council minimises the risk of misconduct, fraud and corruption which is reinforced by raising awareness of these issues with all staff and providing a robust mechanism for prevention and reporting real or alleged incidents.
- 3.3 All staff will be required to complete an on line E-Learning module on the Confidential Reporting Policy as part of the Essential Learning Pathway Programme. This Programme is part of the Council's commitment to the personal continuous improvement of our staff and for strong governance throughout the organisation. It is intended that all staff complete this Module annually in May.
- 3.4 The reviewed policies will be available on the staff intranet and the internet.

### **4. Options available and consideration of risk**

- 4.1 The Council has a duty to regular monitor and review this Policy to ensure continuing good governance, and the Council would be failing in this duty if the Policy is not reviewed.

## 5. Proposed Way Forward

- 5.1 The Audit Committee is requested to consider the reviewed Policy and frequently asked questions attached at Appendices 1 and 2 and recommend their approval to the Council.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Policy is required by the Public Interest Disclose Act 1998 and the Council's Constitution</p> <p>The Audit Committee has a responsibility to consider and review its governance and regulatory policies and make any necessary recommendations to the Council. The policies and documents attached at Appendices 1 and 2 have been reviewed and only minor amendments have been made to reflect the Council's current structure and ways of working, and they otherwise remain fit for purpose.</p>
Financial implications to include reference to value for money	N	There are no direct financial implications to the review of these documents.
Risk	Y	<p>This Report identifies that the Council has a duty to regularly review its policy documentation to minimise risk of fraud, and corruption to ensure that there are robust mechanisms of which staff are aware to prevent, detect, and investigate these issues where appropriate.</p> <p>Failure to do so will increase the risk to the Council through challenge, malpractice and potential damage to the Council's reputation.</p>
Supporting Corporate Strategy		Quality Council Services
Climate Change - Carbon / Biodiversity Impact	N	No direct carbon/biodiversity impact arising from the recommendations.

Comprehensive Impact Assessment Implications		
Equality and Diversity		Contained within the Policy
Safeguarding		N/a
Community Safety, Crime and Disorder		Considered within the Policy
Health, Safety and Wellbeing		Considered within the Policy
Other implications		N/a

**Supporting Information**

**Appendices:**

Appendix 1: Confidential Reporting Policy

Appendix 2: Confidential Reporting Policy Frequently Asked Questions

**Background Papers:**

None

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# **South Hams District Council And West Devon Borough Council**

## **Confidential Reporting Policy (Whistle-blowing Policy)**

# Whistle-blowing

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## 1. INTRODUCTION

- 1.1 The Public Interest Disclosure Act 1998 and protects workers from the consequences, actual or feared, of raising concerns about serious misconduct or malpractice such as fraud, cheating, or unsafe practices where they work.
- 1.2 The Act applies to 'workers', which is a much broader category than 'employees'. It covers all employees and those contractors or agency staff working for the Councils on Council premises. It also covers suppliers and those providing services under a contract with the Councils from their own premises. No minimum period of service is required to receive the protection of the Act.
- 1.3 Workers are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.4 The Councils are committed to the highest possible standards of openness, probity and accountability. However, we acknowledge that there may be occasions when things go wrong or the Council may unknowingly harbour unethical conduct. In line with that commitment we expect workers, and other people that we deal with, who have serious concerns about any aspect of the Councils' work to come forward and voice those concerns.
- 1.5 This Confidential Reporting Policy is intended to encourage and enable employees to raise serious concerns within the Councils rather than overlooking a problem or 'blowing the whistle' outside. It makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage.
- 1.6 This Policy is in addition to the Councils' complaints procedures, procedures for staff to raise grievances and other statutory reporting procedures. Senior Managers are responsible for making individual workers aware of the existence and availability of this Policy.
- 1.7 This Policy has been discussed with the relevant trade unions and has their support.

**Confidential Reporting Policy**

**2. AIMS AND SCOPE OF THE CONFIDENTIAL REPORTING POLICY**

2.1 This policy aims to:

- Encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice;
- Provide avenues for you to raise those concerns and receive feedback on any action taken;
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied; and
- Reassure you that you will be protected from possible reprisals or victimisation if you reasonably believe that you are making any disclosure in good faith.

2.2 The Confidential Reporting Policy is intended to cover major concerns which affect or threaten other people and which fall outside the scope of other procedures. These concerns could be:

- Conduct which is an offence or a breach of the law;
- A miscarriage of justice;
- Health and safety risks, including risks to the public as well as other employees;
- Damage to the environment;
- The unauthorised use of public funds;
- Fraud or corruption; and
- Sexual, physical or mental abuse, or other unethical conduct.

2.3 Therefore, any serious concerns that you have about any aspect of service provision, or the conduct of officers or Members of the Councils, or others acting on behalf of the Councils that;

- Make you feel uncomfortable because it doesn't comply with known standards, or with your experience of the standards you believe the Councils subscribes to; or
- Is against the Councils' Procedure Rules and policies; or
- Falls below established standards of practice; or
- Amounts to improper conduct;

can be reported under this Confidential Reporting Policy.

2.4 There are other procedures in place to enable you to;

- Lodge a grievance relating to your own employment where your concerns are about your own position, rather than the protection of the public, use the employees' **Grievance Procedure**;

**Confidential Reporting Policy**

- Make a complaint about a decision of the Councils which has affected you or somebody else as a user of the service, use the **Complaints Procedure**; or
- Complain about the conduct of a Councillor, use the procedure for **Making a Complaint about a Councillor**.

You should not use this policy for those concerns.

**3. SAFEGUARDS: HARASSMENT OR VICTIMISATION**

- 3.1 The Councils are committed to good practice and high standards and want to be supportive of its workers.
- 3.2 The Councils recognise that it can be difficult to make a decision to report a concern. If you reasonably believe what you are saying is true and it is in the public interest to disclose that concern, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.
- 3.3 The Councils will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.

**4. CONFIDENTIALITY AND ANONYMOUS ALLEGATIONS**

- 4.1 This Policy encourages you to put your name to your allegation whenever possible. We will not reveal your name without your consent unless the law requires, but we cannot stop people trying to work out who you are.
- 4.2 You should bear in mind that concerns expressed anonymously are much less powerful because they are much harder to investigate. Anonymous concerns will be considered at the discretion of the Councils.

In exercising this discretion the factors to be taken into account would include:

- The seriousness of the issues raised;
  - The credibility of the concern;
  - The likelihood of confirming the allegation from attributable sources; and
  - The possibility of victimisation from peers / colleagues that would be difficult to control.
- 4.3 However, at the appropriate time, you may need to come forward as a witness, either in internal proceedings within the Councils or in a court. In those cases we may not be able to maintain your anonymity. It is a basic principle of human rights that a person should know who is accusing him or her. However, in those rare cases where you may be afraid of violence we will try to make



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arrangements to secure your personal safety. In appropriate cases we will enlist the help of the Police or victim support groups.

**5. UNTRUE ALLEGATIONS**

- 5.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make a false allegation frivolously, maliciously or for personal gain or revenge, disciplinary action may be taken against you.
- 5.2 Any investigation into your allegation of potential malpractice will be investigated separately from, and will neither influence nor be influenced by, any disciplinary, grievance or redundancy procedures that already affect you.
- 5.3 If you blow the whistle under this Policy where you participated in the malpractice you are complaining about, you cannot escape appropriate disciplinary action for misconduct or gross misconduct (see the Councils' Disciplinary procedure).

If you did participate in malpractice, and later own up to it, it may reduce the penalty that you face. This will depend on all the circumstances.

**6. HOW TO RAISE A CONCERN**

- 6.1 As a first step, you should normally raise concerns with your immediate manager who will normally refer the matter to the Councils' Monitoring Officer. Where the subject of your concern is your immediate manager then it is likely to be more appropriate to raise the concern with the Monitoring Officer direct.
- 6.2 In any event the Monitoring Officer should always be advised of potential malpractice within the authority as they have statutory duties and responsibilities in relation to matters of illegality or maladministration (potential or actual). The Monitoring Officer will be responsible for advising the Section 151 Officer (the Director of Strategic Finance) who has responsibilities relating to financial probity) and the Chief Executive (as the Head of Paid Service), depending on the Monitoring Officer's view as to the seriousness of the allegation.
- 6.3 Concerns may be raised orally (face to face) or in writing. If you make a written report you are invited to set out:
- The background and history of your concern, giving the dates of relevant events and explaining their consequences; and
  - The reason why you are particularly concerned about the situation.
- 6.4 The earlier you express concern the easier it is to take action.

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### **Confidential Reporting Policy**

- 6.5 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 6.6 Advice/guidance on how to pursue matters of concern may be obtained from:
- The Monitoring Officer;
  - The Section 151 Officer (Director of Strategic Finance);
  - The Chief Executive or Deputy Chief Executive;
  - Director of Strategy and Governance, or
  - Internal Audit.
- 6.7 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 6.8 You may invite your trade union, professional association representative or a work colleague to be present during any meetings or interviews in connection with the concerns you have raised.

## **7. HOW THE COUNCILS WILL RESPOND**

- 7.1 The Councils will acknowledge your concerns and will tell you know what will happen next. You may feel that you are not believed straight away. This is because senior officers need to be sure that they clearly understand what you are saying. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 7.2 Where appropriate, the matters raised may:
- Be investigated by management, internal audit, or through the disciplinary process;
  - Be referred to the Police;
  - Be referred to the external auditor; or
  - Form the subject of an independent inquiry.
- 7.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Councils will have in mind is the public interest.
- 7.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 7.5 Within ten working days of a concern being raised, the Monitoring Officer will write to you:

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### **Confidential Reporting Policy**

- Acknowledging that the concern has been received;
- Indicating how we propose to deal with the matter;
- Giving an estimate of how long it will take to provide a final response;
- Telling you whether any initial enquiries have been made;
- Supplying you with information on staff support mechanisms; and
- Whether further investigations will take place and if not, why not.

7.6 The amount of contact between you and the officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Councils will seek further information from you.

7.7 Where any meeting is arranged, which can be off-site if you so wish, you can be accompanied by a union or professional association representative or a work colleague.

7.8 The Councils will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Councils will arrange for you to receive advice about the procedure.

7.9 The Councils accept that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

### **8. THE RESPONSIBLE OFFICER**

8.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. He/she maintains a record of concerns raised and the outcomes (but in a form which (where appropriate) does not endanger your confidentiality) and will report as necessary to the relevant Council.

### **9. HOW THE MATTER CAN BE TAKEN FURTHER**

9.1 This Policy is intended to provide you with an avenue within the Councils to raise concerns. The Councils hope you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Councils, the following are possible contact points:

- The external auditor;
- Your trade union;
- Your local Citizens' Advice Bureau;
- Relevant professional bodies or regulatory organisations; and
- The Police.

9.2 If you do take the matter outside the Councils you should ensure that you do not disclose confidential information. Check with the contact point about that.

**Confidential Reporting Policy**

**10. CONCLUSION**

- 10.1 An important element in the maintenance of probity in local government is the ability for employees to be able to raise concerns where they perceive wrongdoing or malpractice. Individuals, both local government employees and other interested parties, need to know that their concerns will be taken seriously and investigated.
- 10.2 The Confidential Reporting Policy is only one aspect of measures to ensure the transparent delivery of services. As part of the government's ethical framework there is a code of conduct for elected Members and a similar code for Council employees.
- 10.3 The Councils have reviewed this policy from time to time, since it was implemented in 1999, and annually monitors the effectiveness of the policy.

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# **South Hams District Council And West Devon Borough Council**

## **Frequently Asked Questions Confidential Reporting Policy**

**FREQUENTLY ASKED QUESTIONS - CONFIDENTIAL REPORTING POLICY**

**1. What is the Confidential Reporting Policy?**

This is a policy which allows workers employed by the Councils to “blow the whistle” on fraud, corruption, abuse or other inappropriate action or behaviour by someone inside, or working for, the Councils. The policy is designed to protect the whistle blower from possible adverse consequences.

**2. Who is protected?**

Anyone working for the Councils – employees, agency workers, and contractors’ staff. The Policy covers “workers” and so includes people who work for the Council but are not directly employed by the Council.

**3. How do I know if I should blow the whistle?**

You will probably feel uncomfortable about something that you have seen, or discovered because it isn’t right, or doesn’t seem to comply with the Councils’ usual standards of behaviour. It may be against the Councils’ Procedure Rules and policies; or somehow fall below established standards of practice; or amount to improper conduct. If in doubt, ask to speak to the Monitoring Officer. He/she will advise you and help you make up your mind.

**4. What should I do if I find something is amiss?**

You should normally raise concerns with your immediate manager. They should be able to advise you. Your Manager will refer the matter to the Councils’ Monitoring Officer, as they need to know because they are responsible for ensuring that the Councils stay within the law, and for operating this policy. You can go straight to the Monitoring Officer if you wish.

You need to explain as clearly as you can:

- The background and history of your concern, giving the dates of relevant events and explaining their consequences; and
- The reason why you are particularly concerned about the situation.

**5. If you prefer you can go to any of these officers instead:**

- The S. 151 Officer (Director of Strategic Finance);
- The Chief Executive;
- Director of Strategy and Governance; or
- Internal Audit.

**SOUTH HAMS DISTRICT COUNCIL and WEST DEVON BOROUGH COUNCIL**  
**FREQUENTLY ASKED QUESTIONS - CONFIDENTIAL REPORTING POLICY**

**6. What happens next?**

Your manager, or the Monitoring Officer, will acknowledge your concerns and will tell you what will happen next. Depending on how serious your allegation is, it may:

- Be investigated by management, internal audit, or through the disciplinary process;
- Be referred to the Police;
- Be referred to the external auditor; or
- Form the subject of an independent inquiry.

We will try to keep you informed about what is happening but it may not always be possible (especially if it has to be taken out of the Councils' hands). You will be told the outcome.

**7. What if my allegation is found to be untrue?**

If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make a false allegation frivolously, maliciously or for personal gain or revenge, disciplinary action may be taken against you.

**8. What isn't covered by the policy?**

If you have a complaint about the way that you have been treated as an employee, you should use the **Grievance Procedure**.

If you have a complaint about the way you, or someone else, has been treated as a user of the Councils' services, you should use the ordinary **Complaints Procedure**.

If you think that a Member of the Council has not acted in accordance with their code of conduct, you can make a complaint under that code and it will be considered by the Standards Committee.

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