

# TONBRIDGE & MALLING BOROUGH COUNCIL



## EXECUTIVE SERVICES

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### Chief Executive

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**NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.**

Contact: Democratic Services  
[committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk)

17 September 2021

To: MEMBERS OF THE AUDIT COMMITTEE  
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Council Chamber, Gibson Drive, Kings Hill, on Monday, 27th September, 2021 commencing at 7.30 pm.

Members of the Committee are required to attend in person. Other Members are encouraged to participate online via MS Teams.

Information on how to observe the meeting will be published on the Council's website.

Yours faithfully

JULIE BEILBY

Chief Executive

## A G E N D A

### PART 1 - PUBLIC

1. Apologies for absence

5 - 6

2. Declarations of interest 7 - 8

*Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting*

3. Minutes 9 - 14

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 26 July 2021

#### **Matters for Recommendation to the Cabinet**

4. Treasury Management Update and Mid-Year Review 15 - 38

*This report provides an update on treasury management activity undertaken during April to August of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2021/22 is also included in the report.*

#### **Decisions to be taken under Delegated Powers**

5. Risk Management 39 - 54

*This report provides an update on the risk management strategy and the Strategic Risk Register*

6. Statement of Accounts 2020/21 and External Auditors Report on the Outcome of the Audit of the Accounts 55 - 90

*This report presents the current set of Accounts for 2020/21 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Members are invited to approve both the Statement of Accounts and the Audit Findings Report. The external auditors report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and/or their representative will be at the meeting to present the report and to answer questions.*

*Due to its size Annex 1 – The Statement of Accounts will be available as a supplement.*

#### **Matters submitted for Information**

7. Internal Audit and Counter Fraud Update 91 - 100

*This report provides an update on the work of both the Internal Audit function and the Counter Fraud function for the period April to August 2021.*

8. Urgent Items 101 - 102

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

## **Matters for consideration in Private**

9. Exclusion of Press and Public 103 - 104

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

## **PART 2 - PRIVATE**

### **Matters submitted for Information**

10. Insurance Claims History 105 - 110

*The report provides information as to the nature and volume of liability and property damage insurance claims during the period April to August 2021.*

11. Urgent Items 111 - 112

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

## **MEMBERSHIP**

Cllr Mrs F A Kemp (Chairman)  
Cllr N Foyle (Vice-Chairman)

Cllr T Bishop  
Cllr R I B Cannon  
Cllr N J Heslop  
Cllr P M Hickmott

Cllr D W King  
Cllr J R S Lark  
Cllr M R Rhodes

Apologies for absence

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# Agenda Item 2

Declarations of interest

*Members in any doubt about such declarations are advised to contact Legal of Democratic Services in advance of the meeting*

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## TONBRIDGE AND MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

Monday, 26th July, 2021

**Present:** Cllr Mrs F A Kemp (Chairman), Cllr N Foyle (Vice-Chairman), Cllr R I B Cannon, Cllr D W King, Cllr J R S Lark and Cllr M R Rhodes.

Councillors R P Betts, V M C Branson, N Heslop, D Keers, Mrs A S Oakley, W E Palmer, H S Rogers and J L Sergison participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

(Note: As Councillor N Heslop was unable to attend in person and participated via MS Teams, he was unable to vote on any matter).

An apology for absence was received from Councillor T Bishop.

### PART 1 - PUBLIC

#### **AU 21/27 DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct.

#### **AU 21/28 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 6 April 2021 be approved as a correct record and signed by the Chairman.

#### **AU 21/29 EXTERNAL QUALITY ASSESSMENT**

The report of the Chief Audit Executive informed Members of the results of the External Quality Assessment (EQA) of the Internal Audit service undertaken in February to March 2021. The EQA provided an overall opinion on Internal Audit's conformance with the standards and an individual rating against the Standards and Code of Ethics. The overall assessment resulting from the EQA was that the internal audit function generally conformed to the Institute of Internal Auditor's professional standards. Proposed actions and timescales had been developed for the recommendations raised in the assessment and these had formed an improvement plan.

**RESOLVED:** That the report be received and noted.

**MATTERS FOR RECOMMENDATION TO COUNCIL****AU 21/30 LOCAL CODE OF CORPORATE GOVERNANCE**

The report of the Chief Executive and Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance. The Committee received an amended Annex 1 at the meeting which highlighted the changes to the Local Code of Corporate Governance.

**RESOLVED:** That the amendments to the Local Code of Corporate Governance, as presented at the meeting, be commended to Council for adoption.

**\*Referred to Council**

**AU 21/31 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2020-21**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2020/21 was also set out.

The report provided a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances. A full list of investments held on 31 June 2021 was set out in Annex 1 to the report.

Particular reference was made to the adoption of a multi asset fund which aimed to generate returns over and above inflation and thus preserve spending power. Three funds had been selected for investment with an expectation based on past performance that, each would deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. £1m was being invested in each of the three funds which collectively were expected to generate £60,000 of additional income in 2021/22.

Member's attention was drawn to the Revenue and Capital Outturn report for 2020/21 as set out at Annex 4 which provided a summary of the investment performance. The combined performance of the Authority's investments exceeded the revised estimate of £132,953 but were £224,047 less than the 2020/21 original estimates reflecting the Covid-19 impact on investment returns.

The impact of the pandemic on the economy was difficult to assess, and although fluctuations in long term property investments were expected, it was anticipated that there would be some capital appreciation.

**RECOMMENDED:** That the following be commended to Council:

- (1) The action taken in respect of treasury management activity for April to June 2021 be endorsed;
- (2) The £3m being applied to investment asset (diversified income) funds be noted; and
- (3) The 2020/21 outturn position be noted.

**\*Referred to Council**

**DECISIONS TAKEN UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 3 OF THE CONSTITUTION (RESPONSIBILITY FOR COUNCIL FUNCTIONS)**

**AU 21/32 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR).

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in April 2021 were set out in Annex 1 of the report. Of the six risks categorised as RED at that time, all remained RED with the exception of 'Elections' which had since been removed from the SRR.

Brexit/EU Transition Impact and Economic Stability continued to be identified as RED due to the unexpected impact of economic uncertainty around EU legislation on finances and resources and the economic implications of the pandemic on businesses and residents.

Particular attention was made to the risk of cyber security and the increase in cyber-attacks across the public industry nationally.

**RESOLVED:** That the updates to the Strategic Risk Register since the last iteration with particular emphasis on those five risks categorised as RED be noted.

**AU 21/33 THE CIPFA FINANCIAL MANAGEMENT CODE**

The report of the Director of Finance and Transformation provided an overview of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and the outcome of a self-assessment to demonstrate compliance. The outcome of the self-assessment, as set out in Annex 1, saw a green rating assigned to all but two of the seventeen Financial Management Standards. The two Standards assigned as amber rating were stakeholder engagement and business cases.

In respect of Financial Management Standard A, Members were advised that the leadership team was able to demonstrate that the services provided by the authority were value for money, with a clear governance structure and scrutiny arrangements in place where collective responsibility for value for money was made explicit.

**RESOLVED:** That the outcome of the self-assessment to demonstrate compliance with the CIPFA Financial Management Code be noted.

#### **AU 21/34 ANNUAL GOVERNANCE STATEMENT 2020/21**

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2021 which was required to be certified by both the Leader of the Council and the Chief Executive to accompany the Council's Statement of Accounts 2020/21.

The Annual Governance Statement had been prepared by way of a self-assessment questionnaire and supporting evidence and was intended to demonstrate that there was a sound system of corporate governance in place throughout the organisation.

**RESOLVED:** That the Annual Governance Statement for the year ended 31 March 2021, as set out at Annex 1 to the report, be endorsed.

#### **AU 21/35 STATEMENT OF ACCOUNTS 2020/21 AND PROGRESS UPDATE ON THE AUDIT OF THE ACCOUNTS**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2020/21 in the form specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Annual Governance Statement (referred to in Minute AU 21/34) accompanied the Statement of Accounts.

The total comprehensive income and expenditure for the year was £5.8m compared to -£7.2m in 2019/20. The net worth had decreased primarily due to a decrease in asset values which were foreseen to be short term and an increase in the Council's pension liability. Particular attention was made to the financial impact arising from the Covid-19 pandemic as detailed in the financial statement.

**RESOLVED:** That

- (1) the unaudited set of Accounts for 2020/21 be noted and endorsed;
- (2) the Statement provided by the Director of Finance and Transformation in support of assertions made in the Statement of Responsibilities for the Statement of Accounts, as set out at Annex 3 to the report, be noted; and
- (3) the progress update on the audit of Accounts for 2020/21 be noted.

**AU 21/36 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The report of the Chief Audit Executive informed the Committee of the findings of the annual review of the effectiveness of the Internal Audit function. Members were advised that the Management Team had concluded that the opinion on the effectiveness of the Internal Audit function in place for the year 2020/21 was Good.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2020/21 was Good be endorsed.

**MATTERS SUBMITTED FOR INFORMATION****AU 21/37 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL, TOGETHER WITH THE ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR THE YEAR 2020/21**

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control together with the Internal Audit work completed during 2020/21 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2020/21.

It was the opinion of the Chief Audit Executive that Tonbridge and Malling Borough Council's framework of governance, risk management and control 'substantially' contributed to the proper, economic, efficient and effective use of resources in achieving objectives during 2020/21. There were however areas where compliance with existing controls should be enhanced or strengthened, or where additional controls should be introduced. Recommendations against these findings had been made and progress against these during 2020/21 had been good.

**RESOLVED:** That the report be received and noted.

**AU 21/38 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report of the Director of Finance and Transformation set out the progress of the external auditors in delivering their responsibilities in auditing the Borough Council's accounts.

It was anticipated that the Auditor's Annual report, communicating the key issues arising from the auditors Value for Money work, would be submitted by the deadline of 30 September 2021.

It was explained that it was prudent to establish a provision (impairment allowance) for non-payment of debt due to the potential adverse impact on collectability of debt caused by the Covid-19 pandemic. Collection rates were lower in 2020-21 due to the pandemic and steps had been taken to increase provisions. Council tax and NDR collection rates for the current financial year were on target and outstanding debt from 2020-21 would be reviewed at the end of 2021-22.

**RESOLVED:** That the report be received and noted.

**AU 21/39 CONSULTATION ON THE DRAFT PROSPECTUS FOR THE NATIONAL SCHEME FOR LOCAL AUDITOR APPOINTMENTS FROM APRIL 2023**

The report of the Director of Finance and Transformation advised the Committee of a draft prospectus prepared by the Public Sector Audit Appointments Limited (PSAA) for a national scheme for local auditor appointments from April 2023. The PSAA had invited views and comments in relation to the aims of the scheme and how it needed to develop going forward.

The return date for responses to the consultation was 8 July 2021 and due to the timing of meetings, the responses as detailed in Annex 2 were agreed with the Committee Chairman and Cabinet Member for Finance, Innovation and Property prior to submission.

**RESOLVED:** That the report be received and noted.

**AU 21/40 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.48 pm

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

27 September 2021

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Cabinet – Council Decision

#### 1 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW

The report provides an update on treasury management activity undertaken during April to August of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 201/22 is also included in this report.

#### 1.1 Introduction

1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management was revised December 2017 and adopted by Council on 30 October 2018.

1.1.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an Annual Treasury Management Strategy Statement, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1.1.3 This mid-year report has been prepared in compliance with the Code and covers the following:

- An economic update and interest rate forecast.

- Investment performance for April to August of the 2021/22 financial year including recent benchmarking data.
- Compliance with Treasury and Prudential Limits for 2021/22.
- A review of the risk parameters contained in the 2021/22 Treasury Management and Annual Investment Strategy.

## 1.2 Economic Background

1.2.1 As expected, the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged at their meeting on 4 August at 0.1%. The MPC also maintained the level of quantitative easing (QE) at £895bn. The Bank's forecasts were adjusted to reflect:

- The annual GDP growth forecast for 2021 was revised up from 5.0% in February to 7.25%, the fastest pace of growth since 1940s. Growth was revised down in 2022 by a slightly smaller amount (7.25% to 5.75%). The bank now expects GDP to return to its pre-crisis peak in Q4 2021 rather than previously indicated in Q1 2022.
- The unemployment rate is expected to peak at 5.4% in Q3 2021, rather than 7.8% in Q3 2021 as previously stated.
- The MPC decided to slow the pace of its asset purchases from £4.4bn per week so that it could stay on track to hit its target for QE by the end of the year.
- Only one MPC member voted to stop the asset purchases now to leave total purchases £45bn short of the total QE target.

1.2.2 There has been a major shift from previous MPC decisions over the last year from indicating no expected tightening any time soon, to now flagging up that interest rate increases were now on the horizon. While some members felt that there would be no tightening of policy until inflation is sustained at the 2% target, they all agreed that some modest tightening of monetary policy over the forecast period was likely to be necessary to be consistent with meeting inflation target sustainably in the medium term.

1.2.3 At the current time, the MPC forecasts are showing inflation close to 2% target in 2 to 3 years' time. The initial surge in inflation in 2021 and 2022 is due to a combination of base effects, one off energy price increases and a release of pent-up demand particularly from consumers who have accumulated savings during the pandemic which are hitting supply constraints. However, these effects will gradually subside.

1.2.4 The MPC concluded its review of monetary policy as to whether it should raise Bank Rates before reducing its balance sheet (QE) holding of bonds. The focus

will be initially on raising the Bank Rate and it is expected that it will start to reduce its holdings once the rate is 0.50%.

### 1.3 Interest Rate Forecast

1.3.1 Following the financial crisis in 2008, Bank Rate was cut to an emergency level of 0.5% where it remained for over seven years. The outcome of the 2016 EU referendum prompted Bank Rate to be cut to 0.25% in August 2016. Since then Bank Rate has risen in 0.25% steps, peaking at 0.75% from August 2018. Link's forecast used in the 2021/22 Investment Strategy assumed economic conditions would continue to improve requiring a gradual rise in Bank Rate over the next three years.

Link - Nov 2020	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
	%	%	%	%	%	%	%	%	%	%	%
<b>Bank Rate</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>3 mth ave earnings</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>6 mth ave earnings</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>12 mth ave earnings</b>	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
<b>25yr PWLB</b>	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80

Table 1 (a)

1.3.2 The world has changed due to the Covid-19 pandemic which has seen both Government and Central Bank intervention over the past 18 months being historic in magnitude. Interest rate forecasting is now much more problematic and tentative than it is in normal circumstances. Whilst lockdown measures are now relaxed, the full extent of the economic impacts is still uncertain.

1.3.3 Link updated their forecast in August 2021 as follows:

Link - August 2021	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
	%	%	%	%	%	%	%	%	%	%	%
<b>Bank Rate</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.50
<b>3 mth ave earnings</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30	0.50
<b>6 mth ave earnings</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.50	0.50
<b>12 mth ave earnings</b>	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.70
<b>25yr PWLB</b>	1.90	2.00	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.40	2.50

Table 1 (b)

1.3.4 The forecast is based on the success of the vaccine programme roll out and the inflation spike will be short lived. In addition:

- On-going market volatility will no longer need Government and Central Bank intervention.

- Bank Rate will stay at 0.1% with the first increase factored in for June 2023.
- High inflation due to temporary increases in commodity and component prices will be reversed in 2022.
- The result is expected to be a very flat yield curve for at least a year and only marginal increases over the following year.

## 1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are: to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long and medium term cash balances.
- 1.4.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2021/22 cash flow surpluses have averaged £26.2m.
- 1.4.4 The Authority also has £19m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.
- 1.4.5 Cash flow and core cash balances also include some £10m to meet business rate appeals of which £3m are expected to be resolved in 2021/22 and the remainder in future years.
- 1.4.6 Long term investment at the end of August 2021 comprised £5m in property fund investments.
- 1.4.7 Medium term investments at the end of August 2021 comprised £3 in multi asset fund investments.
- 1.4.8 A full list of investments held on 31 August 2021 is provided at **[Annex 1]** and a copy of our lending list of 31 August 2021 at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of August.

	Funds invested on 31 August 2021	Average duration to maturity	Weighted average rate of return	Interest / dividends earned	Gross annualised return	LIBID benchmark (average)
	£m	Days	%	1 April to 31 August 2021		1 April to 31 August 2021
				£	%	%
Cash flow	25.7	4	0.03	3,900	0.04	-0.08(7 Day)
Core cash	19.0	171	0.28	25,000	0.31	-0.04 (3 Mth)
<b>Sub-total</b>	<b>44.7</b>	<b>75</b>	<b>0.14</b>	<b>28,900</b>	<b>0.15</b>	<b>-0.07 (Ave)</b>
Long term	5.0			40,400	3.23	
Medium term	3.0			0	0	
<b>Total</b>	<b>52.7</b>			<b>69,300</b>	<b>0.34</b>	

Table 2

*Property funds pay dividends quarterly. The return quoted above is based on dividends received for the quarter April to June 2021.*

**1.4.9 Cash flow and Core cash Investments.** Whilst the authority outperformed the LIBID benchmark by 22 basis points, interest earned of £28,900 to the end of August is below the original estimate for the same period. The fall in income is due to the continued low Bank Rate offered in the current market as well as consumer accumulated savings further reducing the financial institutions requirement to source funding.

**1.4.10** The bank offers are expected to remain at their current ultra-low levels throughout 2021/22, however, the introduction of multi-asset funds will compensate the shortfall in income associated with cash flow and core cash investments. It is projected that the investments will underperform by some £15k at year end.

**1.4.11** The recession is born out of a health crisis not a financial crisis. Whilst the UK sovereign credit rating has been downgraded from AA to AA- by Fitch, individual UK bank long-term and short-term credit ratings, for those banks on the Council's lending list, have not thus far been downgraded by the credit rating agencies. Whilst there have been a number of changes to rating watch and outlooks these have not resulted in a reduction in the investment duration assessment provided by Link (i.e. banks considered good for 12 month investment last January carry the same assessment today). Credit default swop data (a measure of risk) remains substantially below levels noted during the sovereign debt crisis of 2012.

**1.4.12** The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at

**[Annex 3].** The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 30 June 2021 the Council's return at 0.16% (purple diamond) was below the local authority average of 0.17%. Based on the Council's exposure to credit / duration risk that return was in-line with Link's predicted return (between the upper and lower boundary indicated by the diagonal lines). The Council's risk exposure was consistent with the local authority average.

- 1.4.13 **Long term Investment.** The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and commercial property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.
- 1.4.14 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments are expected in the future as resources become available from asset disposals and other windfalls.
- 1.4.15 During the period 1 April 2021 to 30 June 2021 the £5m investment in property funds generated dividends of £40,400 which represents an annualised return of 3.23% (2.83% in 2020/21). The property funds have shown signs of recovery from Covid-19 which is reflected in the dividend being distributed. It is expected that performance of the funds will be in line with the original budget set for 2021/22.
- 1.4.16 The sale of River Walk offices are expected to have concluded by the end of the fiscal year which will provide additional funds in the region of £1.5m. There will be consideration given to determine how best to optimise a return from the capital receipt.
- 1.4.17 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.
- 1.4.18 Economic growth in the UK slowed in 2018/19 as did the rate at which fund sale values appreciated. A fall in sale values was recorded at some month ends especially during the second half of 2018/19 and throughout 2019/20. The Covid-19 impact on the economy is contributed to a further decline in commercial property values in 2020/21. The first quarter of 2021/22 has shown signs that a steady recovery has now commenced.

1.4.19 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers have attributed “uncertainty” to their most recent monthly valuations. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption of units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as ourselves and is welcomed.

1.4.20 Current qualified sale values vs initial purchase price are as follows:

<b>Property fund</b>	Purchase price	Sale value at date of purchase	Sale value 30 June 2021	30 June 21 sale value above (below) purchase price (c-a) £
(Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	a	b	C	
	£	£	£	
LAPF (Primary, July 2017)	1,000,000	922,200	963,770	(36,230)
Lothbury (Primary, July 2017)	1,000,000	927,700	950,360	(49,640)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	995,800	(4,200)
LAPF (Primary, June 2018)	1,000,000	922,200	924,050	(75,950)
Lothbury (Secondary, July 2018)	1,000,000	973,000	932,050	(67,950)
<b>Total change in principal</b>	<b>5,000,000</b>	<b>4,684,100</b>	<b>4,766,030</b>	<b>(233,970)</b>
			<b>Total dividends received</b>	<b>622,950</b>
			<b>Net gain since inception</b>	<b>388,980</b>

Table 3

1.4.21 Since inception, the Council has received dividends from its property fund investments totalling £622,950. Taking the current deficit on sales value of £233,970 into account, the net gain generated to the Council is £388,980. The effect on the economy and commercial property values due to of Covid-19 saw a decreased in the property fund values. The funds values at 30 June 2021 have increase by £220,000 over the past 12 months and values are nearing pre Covid-19 levels. Fund values are expected to continue to improve as the economy continues its recovery.

1.4.22 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council’s property fund investments are not

required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

1.4.23 **Medium term Investment.** In recent years multi asset (diversified income) funds have grown in popularity. The rationale for adopting such a fund was explored in the Audit Committee report of January 2018 and their use for medium-term investment reaffirmed in the January 2021 Audit Committee report which introduced this financial year's Annual Investment Strategy.

1.4.24 Like property funds, multi asset funds aim to generate returns over and above inflation and thus preserve spending power. The March 2020 cut in bank rate and its impact on the level of investment income in the early years of our MTFs provided added impetus to progress such an investment and provide some mitigation against a "low Bank Rate for longer".

1.4.25 Link were engaged to support the selection process. From a longlist of seventeen potential funds Link considered appropriate for Local Authority treasury investment, twelve were selected for detailed evaluation. In response to a questionnaire the qualitative and quantitative analysis undertaken by Link culminated in five funds being selected for presentation / interview. The presentations were held on 29 June 2021 and three funds were selected for investment with an expectation based on past performance that, each will deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment.

1.4.26 A total of £3m has been invested equally between Fidelity Multi Asset Income Fund, Ninety-One Diversified Income Fund and Aegon Diversified Monthly Income Fund in July and August. The expected return for the remainder of 2021/22 should generate an additional £52,500 which will offset the cost of Link's engagement (£8,500) and the projected deficit in income generated from the cash and core investments.

## 1.5 Compliance with the Treasury Management and Annual Investment Strategy

1.5.1 Throughout the period April to August 2021 all of the requirements contained in the 2021/22 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit ratings; duration limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April to August 2021.

1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **[Annex 4]** to this report.

## 1.6 Review of Risk Parameters

- 1.6.1 Members will recall the detailed consideration that was given to the 2020/21 Treasury Management and Annual Investment Strategy at Audit Committee in January. For ease of reference the parameters included in the Strategy that aim to limit the Council's exposure to investment risks are summarised in **[Annex 5]**.
- 1.6.2 In undertaking this review **no changes to the current approved risk parameters are proposed at this time**. The Strategy ensures that the Council is investing in high credit quality counterparties and there are an adequate number of counterparties available to maintain a well-diversified portfolio. However, Officers are mindful that investment returns offered by banks and building societies that feature on the Council's lending list have dropped to a fraction of the levels experienced in recent years and that this situation may persist for some time. Having reviewed options with our Treasury Advisor there is little added return to be had from either reducing our minimum credit criteria (Fitch A-, F1) or from extending investment duration beyond current constraints (Link suggested duration plus up to six months for UK institutions). However, we will be looking to expand the Council's lending list to include any UK banks and building societies that don't currently feature on our lending list but nevertheless meet our minimum credit criteria (potentially one UK bank and two building societies). This will ensure that we can take advantage of all available opportunities as they arise.
- 1.6.3 There is a need to continue to explore alternative investment options to ensure the maximum return on investment for the Council. Subject to an understanding and acceptance of any associated risks with such investments, they may be offered for inclusion in next year's Annual Investment Strategy. Any investment will of course be dependent on the level of reserves and other balances available for such an investment.

## 1.7 Legal Implications

- 1.7.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority including securing effective arrangements for treasury management. In addition, Link are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

## 1.8 Financial and Value for Money Considerations

- 1.8.1 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. In November 2017, the Bank of England (BoE) returned the Bank Rate to 0.5%. Bank rate was increased to 0.75% in August 2018. In response to the ongoing impact of Covid-19 on the economy, BoE cut Bank Rate to 0.1% in March 2020. Link's current forecast (August 2021) anticipates Bank Rate remaining at 0.1% for at least the next eighteen months.
- 1.8.2 Following the continued low Bank Rate, investment income at the end of August 2021 (month five of the financial year) from cash flow surpluses and core cash investments is forecast to be £4,400 below budget for the same period. Income

from property funds at the end of June is below budget by £2,100. Investment income for the year as a whole is expected to underperform by some £15,000. No better and no worse than the figure reported to Audit Committee in July 2021.

- 1.8.3 However, in factoring in the additional income expected from the £3m investments in multi asset funds for the remainder of 2021/22, the revised overall position will be some £29,000 favourable variance against the original budget.
- 1.8.4 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.
- 1.8.5 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.
- 1.8.6 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.
- 1.8.7 The money being applied to property fund investment and multi asset investments from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard is given to the potential for a fund to delay payment of redemption requests by up to twelve months. Funds will seek to minimise their own cash balances in favour of holding property or assets and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

## 1.9 Risk Assessment

- 1.9.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

## 1.11 Recommendations

- 1.11.1 Members are invited to **RECOMMEND** that Cabinet:

- 1) Endorse the action taken by officers in respect of treasury management activity for April to August 2021.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Donna Riley

[Link interest rate forecast \(August 2021\)](#)

[Link benchmarking data \(June 2021\)](#)

Sharon Shelton  
Director of Finance and Transformation

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## Tonbridge and Malling Borough Council - Investment summary 31 August 2021

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Medium term investment balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %				
<b>Banks, Building Societies &amp; Other Financials</b>														
<b>Barclays Bank :</b> 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000	0.15	5.69%		3,000,000		
<b>Close Brothers :</b> Fixed term deposit Fixed term deposit	UK	A-	F2	6 months	21/07/2021 30/07/2021	21/04/2022 29/04/2022	9 Months 9 Months	2,000,000 2,000,000	0.35 0.35	7.58%		2,000,000 2,000,000		
<b>Goldman Sachs :</b> Fixed term deposit Fixed term deposit Fixed term deposit	UK	A+	F1	6 months	28/01/2021 17/03/2021 21/04/2021	28/10/2021 17/03/2022 21/04/2022	9 Months 1 year 1 year	2,000,000 2,000,000 2,000,000	0.17 0.40 0.39	11.37%		2,000,000 2,000,000 2,000,000		
<b>HSBC Bank :</b> 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	3,000,000	0.10	5.69%	3,000,000			
<b>National Westminster Bank :</b> Deposit account	UK	A+	F1	1 year	31/08/2021	01/09/2021	Overnight	50,000	0.01	0.09%	50,000			
<b>Santander UK Bank :</b> Fixed term deposit Fixed term deposit Fixed term deposit	UK	A+	F1	6 months	22/04/2021 27/05/2021 17/06/2021	21/01/2022 25/02/2022 17/03/2022	9 Months 9 Months 9 Months	2,000,000 2,000,000 2,000,000	0.25 0.25 0.25	11.37%		2,000,000 2,000,000 2,000,000		
<b>Money Market Funds</b>														
<b>Blackrock MMF - shares/units held</b>	N/A	AAA	mmf (Eq)	5 years	31/08/2021	01/09/2021	Overnight	50,000	0.01	0.09%	50,000			
<b>BNP Paribas MMF - shares/units held</b>	N/A	AAA	mmf (Eq)	5 years	31/08/2021	01/09/2021	Overnight	50,000	0.01	0.09%	50,000			
<b>CCLA PSDF MMF - shares/units held</b>	N/A	AAA	mmf	5 years	31/08/2021	01/09/2021	Overnight	8,000,000	0.03	15.16%	8,000,000			
<b>DWS Deutsche MMF - shares/units held</b>	N/A	AAA	mmf	5 years	31/08/2021	01/09/2021	Overnight	6,558,000	0.02	12.43%	6,558,000			
<b>Federated MMF - shares/units held</b>	N/A	AAA	mmf	5 years	31/08/2021	01/09/2021	Overnight	50,000	0.01	0.09%	50,000			
<b>Morgan Stanley MMF - shares/units held</b>	N/A	AAA	mmf	5 years	31/08/2021	01/09/2021	Overnight	8,000,000	0.03	15.16%	8,000,000			
<b>Property Funds</b>														
<b>Hermes Property Unit Trust :</b> Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000	3.49	1.90%				1,000,000
<b>Local Authorities' Property Fund :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	29/06/2017 30/05/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	4.22 3.98	3.79%				1,000,000 1,000,000
<b>Lothbury Property Trust :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	06/07/2017 02/07/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	2.96 2.85	3.79%				1,000,000 1,000,000
<b>Multi Asset Funds</b>														
<b>Aegon</b> Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,000,000		1.90%			1,000,000	
<b>Fidelity</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000		1.90%			1,000,000	
<b>Ninety One</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000		1.90%			1,000,000	
<b>Total invested</b>								<b>52,758,000</b>		<b>100.00%</b>	<b>25,758,000</b>	<b>19,000,000</b>	<b>3,000,000</b>	<b>5,000,000</b>

<b>Number of investments</b>	25	<b>Average investment value £</b>		2,110,000	
<b>Number of counter parties</b>	18	<b>Average counter party investment £</b>		2,931,000	
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>
<b>Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)</b>		-	50,000	50,000	0.09
<b>Bank of Scotland + Lloyds (MAX 20%)</b>		-	-	-	-
<b>Property Funds Total</b>				5,000,000	9.48
<b>Multi Asset Funds Total</b>				3,000,000	5.69

<b>Total non-specified investments should be less than 60% of Investment balances</b>	15.16%
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**Notes:**  
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2021.

End date for notice accounts to be determined (TBD)

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## Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 27/08/21 Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.								
Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2]	
							Credit ratings	Post CDS
<b>UK Banks, Building Societies and other Financial Institutions :</b>								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	A-	F2	Exempt	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 Months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Leeds Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Yorkshire Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA-	n/a	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years
<b>Non-UK Banks :</b>								
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	A+	F1	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year
[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires non-UK sovereigns to be rated at least AA- and the UK rated at least A-. Non-UK sovereign limit of 20% or £7m per sovereign.								
[2] All deposits overnight unless otherwise approved in advance by the Director of Finance and Transformation AND Chief Financial Services Officer. If other than overnight duration for non-UK entities must not exceed Link's post CDS duration suggestion. For UK entities duration may be extended by up to three months based on credit ratings alone or six months if CDS is below average, subject to a maximum combined duration of 12 months.								

<b>Money Market Funds (Minimum investment criteria AAA) :</b>					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
CCLA Public Sector Deposit Fund	-	AAA	-	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

<b>Enhanced Cash Funds (Minimum investment criteria AAA) :</b>					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

Approved by Director of Finance and Transformation

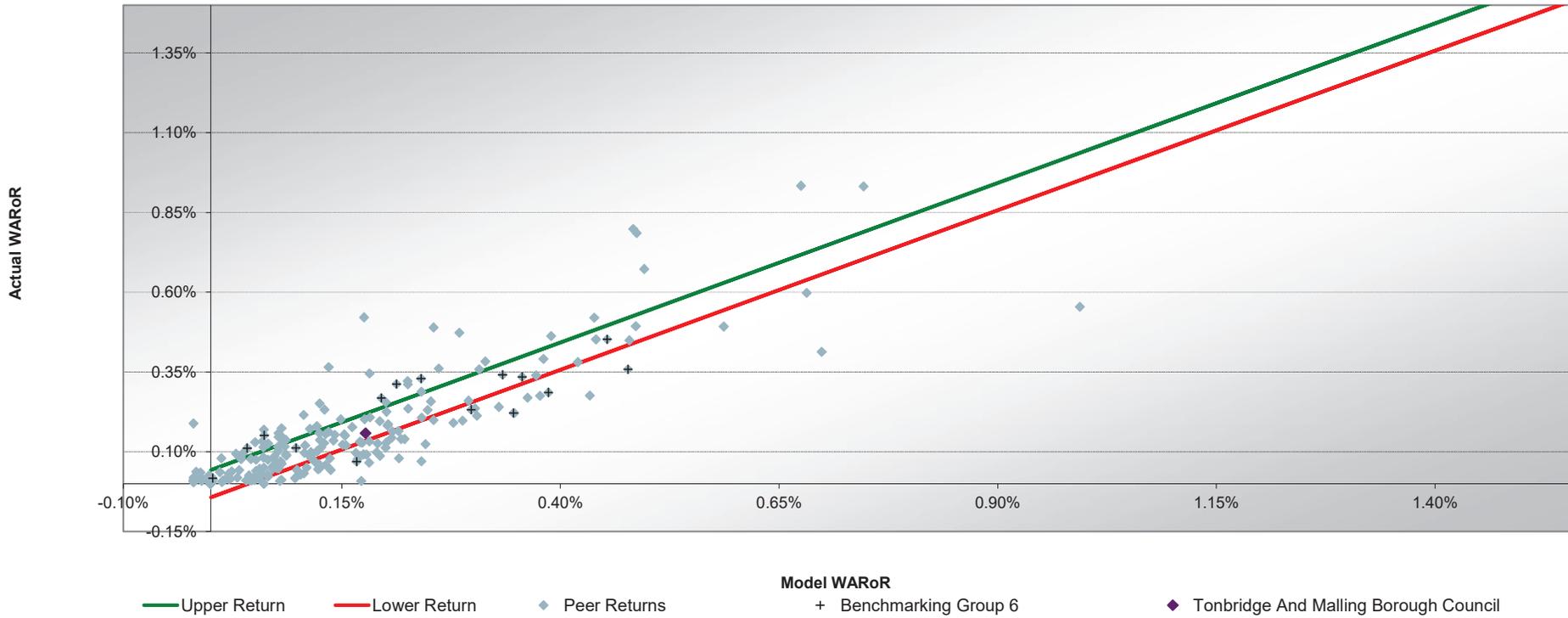
31 August 2021

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Tonbridge And Malling Borough Council

Population Returns against Model Returns June 2021



Page 31

	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
<b>Tonbridge And Malling Borough Council</b>	0.16%	0.18%	-0.02%	0.13%	0.22%	Inline

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### Prudential and Treasury Indicators

<b>1 Prudential Indicators</b>	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Capital expenditure	2,064	4,693	2,144
Ratio of financing costs to net revenue stream	-1.96%	-4.89%	-2.29%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	Nil
Annual change in capital financing requirement	nil	nil	Nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per annum	-1.03	£0.05	£0.10

<b>2 Treasury Management Indicators</b>	2020/21 Actual £'000	2020/22 Estimate £'000	2022/23 Estimate £'000
Authorised limit for external debt:			
Borrowing	nil	7,000	7,000
Other long-term liabilities	nil	nil	nil
Total	nil	7,000	7,000
Operational boundary for external debt:			
Borrowing	nil	4,000	4,000
Other long-term liabilities	nil	nil	nil
Total	nil	4,000	4,000
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	0 – 60%
Upper limit for variable rate exposure under one year at the year end	23,794 (64.7%)	40 – 100%	40 – 100%
Upper limit for total principal sums invested for over 365 days	5,000 (13.6%)	60%	60%

<b>3 Maturity structure of new fixed rate borrowing during 2021/22</b>	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

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## 2021/22 Annual Investment Strategy Risk Parameters

The strategy includes parameters that aim to limit the Council's exposure to investment risks by requiring investments to be placed with high credit rated financial institutions and that those investments are diversified across a range of counterparties. More specifically the 2021/22 Strategy requires:

- Counterparties must be regulated by a Sovereign rated AA- (UK minimum of A-) or better as recognised by each of the three main rating agencies (Fitch, Moody's, and Standard & Poor's).
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.
- Exposure to individual counterparties and groups of related counterparty must not exceed 20% of funds or 10% of funds if a housing association.
- In selecting suitable counterparties the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). This broadly equates to a minimum long term credit rating of Fitch A- (high) and a short-term credit rating of Fitch F1 (highest). A minimum of Fitch BBB (good), F2 (good) applies to UK nationalised banks.
- The duration of an investment in a foreign bank must not exceed Link's recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. Where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.
- Money Market funds should be rated AAA and exposure limited to no more than 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.
- Enhanced Cash Funds and Government Liquidity Funds will be AAA rated and ultra-short duration bond funds rated AA or higher. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.
- Exposure to non-credit rated property funds is limited to no more than 20% (£3m) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.
- Exposure to non-credit rated diversified income (multi-asset) funds and or short dated bond funds is limited to no more than 20% (£3m) of expected long term cash balances per fund and across all such funds.

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified above.

Subject to the duration limit suggested by Link (+6 months for UK financial institutions) at the time each investment is placed.

Subject to a maximum of 60% of funds being held in non-specified investments at any one time.

Sterling denominated.

**Specified Investments** (maturities up to 1 year):

<b>investment</b>	<b>Minimum Credit Criteria</b>
UK Debt Management Agency Deposit Facility	UK Sovereign A-
Term deposits - UK local authorities	UK Sovereign A-
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1, or Green excluding CDS
UK Treasury Bills	UK Sovereign A-
UK Government Gilts	UK Sovereign A-
Bonds issued by multi-lateral development banks	AAA
Sovereign bond issues (other than the UK govt)	AAA
Money Market Funds (CNAV, LVNAV or VNAV)	AAA
Enhanced Cash and Government Liquidity Funds	AAA

**Non-specified Investments** (maturities in excess of 1 year and any maturity if not included above):

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits – housing association	UK Sovereign A-	2 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	5 years
Property Funds	N/A	N/A
Diversified Income Funds	N/A	N/A

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

27 September 2021

#### Report of the Management Team

#### Part 1- Public

#### Delegated

### 1 RISK MANAGEMENT

**An update on the risk management process and the Strategic Risk Register.**

#### 1.1 Introduction

- 1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 1.1.4 The current Risk Management Strategy was recommended by this Committee in January and subsequently adopted by Full Council on 23 February 2021.

#### 1.2 Risk Management Escalation Process

- 1.2.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.2.2 Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management

Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

- 1.2.3 Similarly risks identified as “Medium Risk” may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as “Low Risk” should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

### 1.3 Strategic Risk Register

- 1.3.1 The Strategic Risk Register (SRR) is considered to be a ‘live’ document and is updated, as often as is required, by the Management Team. An update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1]**.

- 1.3.2 As reported to earlier meetings the Covid-19 pandemic and measures taken in response resulted in a number of risks on the Strategic Risk Register being re-categorised as RED.

- 1.3.3 For completeness the risks categorised as RED **at the time of the July meeting** is given below and remains the case.

- 1) Financial position/budget deficit
- 2) EU Transition and Economic Uncertainty (severely impacted by Coronavirus Pandemic)
- 3) Corporate Strategy and Savings and Transformation Strategy
- 4) Waste Services
- 5) Local Plan

- 1.3.4 Members are asked to note the updates in red font since the last iteration of the Register.

- 1.3.5 Two previously identified risks have been removed from the Strategic Risk Register as follows:

- 1) Elections – the previous risk surrounded having sufficient staffing to manage and administer the elections in May 2021 with the next borough wide election expected to be in 2023.

- 2) Contaminated Land – the two previously identified sites have been subject to monitoring and the risk moved to the service risk register.

#### **1.4 Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

- 1.4.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.
- 1.4.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in July is appended at [**Annex 2**].

#### **1.5 Legal Implications**

- 1.5.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 1.5.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

#### **1.6 Financial and Value for Money Considerations**

- 1.6.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.
- 1.6.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

#### **1.7 Risk Assessment**

- 1.7.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

#### **1.8 Equality Impact Assessment**

- 1.8.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

#### **1.9 Policy Considerations**

- 1.9.1 Risk management is relevant to all areas of the Council's business.

#### **1.10 Recommendations**

1.10.1 Members are asked to **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those five risks categorised as **RED**.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
1	Safeguarding and PREVENT	S, R	<p>Significant impact should a child, young person or adults at risk come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes were in place.</p> <p>Coronavirus has increased support to vulnerable individuals.</p>	01/04/2017	3	4	12	<p>The responsibility for safeguarding is with the Chief Executive, rather than an individual service and a review implemented.</p> <p>Audit Review undertaken, identifying areas of weakness to be address, progress to date with positive direction noted.</p> <p>Training delivered to all Hackney Carriage and Private Hire Drivers.</p> <p>Secure Database in place, with secure access, for recording of safeguarding concerns and referrals onto other agencies</p> <p>Community Hub telephone contact line remains available and support can be re-established for any urgent need or in the event of further lockdowns and/or tighter restrictions.</p>	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings.</p>	Safeguarding Policy	Chief Executive	Oct-21
2	Financial position/budget deficit	F, R	<p>Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention.</p> <p>Failure to maximise New Homes Bonus (for as long as it exists).</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	4	4	16	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <p>Treasury Management and Investment Strategy.</p> <p>Robustness of estimates and adequacy of reserves.</p> <p>Effective monitoring control procedures.</p> <p>Savings and Transformation Strategy (STS) reviewed and updated.</p> <p>Unqualified Audit and Value for Money Opinion contained with Annual Audit Letter.</p> <p>Medium Term Financial Strategy (MTFS) updated and shared regularly with Cabinet to keep members aware of current financial situation.</p> <p>Business Rates income monitored. Decision taken not to be part of Kent pool from 2021/22 due to volatility arising from pandemic and therefore increased risk.</p> <p>Local government finance settlement for 21/22 confirmed as anticipated. Some New Homes Bonus to be paid in 21/22.</p> <p>Council Tax increase approved by Council for 21/22 at 2.3% (£5)</p> <p>MTFS and STS updated during Budget Setting Feb 2021/22. Funding gap updated and targets set.</p> <p>Impact of Pandemic projected to have significant effect on Council finances, but this has been dampened by government grants and compensation schemes. Review and Reassessment underway. Ethos of essential spend only agreed by Cabinet and carried forward into 21/22 to protect Council finances.</p> <p>Regular returns submitted to MHCLG as required to assist with roll out of government grants. National Leisure Funding application submitted and £250,000 has been awarded.</p> <p>Response to New Homes Bonus consultation sent April 2021</p>	3	3	9	<p>Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of service reviews via MT to identify potential areas of transformation and savings.</p> <p>Strategic asset review to be completed, including office accommodation.</p> <p>O&amp;S Committee established work programme to continue to identify potential savings.</p> <p>Report to Cabinet 6 July 2021 setting our new financial risks that require adjustment to STS and MTFS. During Budget cycle in Feb 21, 'New' funding gap of £475k identified of Savings needing to be both identified and implemented in the next 4 years as set out in MTFS. This is on top of the £500k savings where initiatives have been identified but not yet delivered. Cabinet report in July 2021 identified a FURTHER £1.3M of financial risk that has come to a head lately primarily as a result of Waste contract, Local Plan and climate change agenda. The £1.3M to be delivered in 2 parts of £650k by 25/26 and 26/27. It is therefore imperative that savings initiatives are both identified and implemented by the Council ASAP. FURTHER REPORT WILL BE DRAFTED AND PRESENTED TO CABINET IN OCTOBER UPDATING POSITION FURTHER AND SEEKING IDENTIFICATION OF SAVINGS INITIATIVES</p> <p>Continued tight rein on essential spend only to protect Council finances as approved by Full Council Feb 2021.</p> <p>Fair Funding Review awaited, as is Business Rates Retention Review. Assumptions about impact have been built into MTFS, but until these are released for consultation it is unknown as to whether assumptions are correct. Respond to consultation when available.</p> <p>Continue to lobby for additional national leisure funding and other government grant funding in response to the pandemic as appropriate. Ensure robust and regular monitoring of expenditure and income and take steps to adjust financial plans as needed in timely manner.</p>	<p>Vision- to be a financially sustainable Council. Taking a business-like approach.</p>	Director of Finance and Transformation	Dec-21

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
3	EU Transition Impact and Economic Stability  (Impacted by Coronavirus Pandemic)	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted.  Coronavirus pandemic has significant economic implications for businesses and residents.	01/04/2017	4	4	16	Kent-wide working to understand, plan for and react to pressures.  Regular review of:  MTFS reflecting economic factors  Treasury Management and Investment strategies.  Working with Kent Resilience Forum since outbreak of pandemic on day to day basis, managing both pandemic and EU transition impacts. Furlough scheme running until end September 21 has 'stabilised' economic impact of Covid to some extent. Approximately only 5% of workforce are now on furlough (Sept 2021)  Various business grant schemes being paid out weekly by TMBC on behalf of government. TMBC also paying Self Isolation Payments (Test and Trace) to those residents who qualify.  All staff equipped to be able to work from home and deliver public services	3	4	12	Council continuing to working with Kent Resilience forum and County Partnership groups including Strategic and Tactical Co-ordinating Groups.  Keep Business Impact assessments under review.  Business continuity planning updated to ensure smooth running of services to public, including expansion of remote working initiatives with Laptop access to Council IT infrastructure.  Self-isolation payments extended until Sept 21. TMBC to continue with payments  <b>IT staff continuing to support staff working from home. Transitional working arrangements commence Sept 2021 as agreed by Members. As furlough scheme ends Sept 21, likely to be a greater demand on Council services and signposting. Staff preparing for this eventuality. Business grants will continue to be paid.</b>	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	Dec-21
4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.  Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members  Corporate Strategy reviewed - report to O&S January 2020 and addendum added in June 21 in response to pandemic. Advisory Boards considering individual entries as appropriate  STS reviewed alongside Budget 21/22 and MTFS. Approved Full council Feb 21. Further update to cabinet 6 July affecting both STS and MTFS. Measures recommended	3	3	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected.  Commissioning of in service reviews via MT to identify potential areas of transformation and savings.  Strategic asset management review to deliver new income .  O&S programme to be supported in order to deliver savings to contribute to STS. During Budget setting Feb 21, Members reminded of the need to firstly deliver on the already identified savings initiatives (£500k) within the timescales set in the MTFS; and secondly to identify and implement the (then) new funding gap of £475k within the next 4 years. Total savings therefore needed to be implemented of £975k AT THAT POINT. Further report to Cabinet 6 July 21 increasing the funding gap by £1.3M as a result of financial risks connected to Waste, Local plan and climate change. Measures recommended to Cabinet. Further report in October 21.  <b>Update report due to go to Cabinet Oct 21</b>	Vision- to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business-like approach.	Chief Executive / Director of Finance and Transformation/ Management Team	Oct-21

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5	Local Plan	F, R	Lack of sound legal footing for Plan leading to risk of failure at Examination. Risk of challenge from not meeting identified development needs. Delay to timetable due to coronavirus restrictions. Shrinking 'plan period' and housing trajectory as a result. Reputational risk and widespread public concern arising from decision making on strategic development. Lack of infrastructure to support future development.	01/04/2017	4	4	16	Local Plan Inspectors Final report requested 11.3.21 - now awaited - Will conclude that the LP is unadoptable due to failure to meet the Duty to Cooperate (in respect of unmet housing need in Sevenoaks).  Members are regularly updated by email by the Planning Policy Manager and reports to P&TAB.  Seeking Member approval to restart the process (in the event the challenges are unsuccessful)	3	3	9	Ongoing engagement with Counsel  Process and key tasks being scoped with Counsel. Timetable being prepared. Initial approaches to consultants. Duty to Cooperate meetings with neighbouring authorities maintained.  PTAB endorsed 'Review, refine and resubmit' strategy, received Council approval 13/07/21	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health	Oct-21
6	Organisational development inc. staff recruitment and retention/skills mix	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	3	4	12	Review of staff resources and skills via service reviews.  Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.	3	4	12	Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning.  Engagement of external consultants and specialists where required. Resilience and rationalisation of existing structures.  Recruitment and retention strategy to be reviewed by MT. Pay award for 2021/22 1%. National Award yet to be determined  Structural reviews approved by Members in 2017/18 and 2018/19.  Personnel staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT.  Transitional arrangements to encourage development opportunities where appropriate.	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	Oct-21
7	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	3	4	12	Lone working policy and service based practices to be continuously monitored.  Health and Safety considered by management at weekly SMT meetings.  Staff involvement with JECC (supported by Members).  Ongoing review undertaken to react to potential key risk areas.  Organisational learning and response to national events.  Incident and near miss reporting.  Coronavirus information being given to staff regularly based on public health advice and guidance and, where appropriate, Risk Assessments to be shared with staff and Union.	2	3	6	Embedding and dissemination of good practice through staff briefings.  Corporate Health and Safety Group (chaired by DPHEH) identifying cross organisational issues with feedback to Management Team and Health and Safety Officer.  All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments.  Staff survey on H&W completed spring 2021, results being reviewed and consideration given to a further repeat survey later in 2021  Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access.  Continuing focus on risk assessment process including reviews as a result of Coronavirus pandemic. Further staff wellbeing survey to focus on working at home and wellbeing.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	Oct-21

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8	Compliance with legislation inc. new GDPR requirements	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/2017	3	4	12	<p>The Council has a nominated Senior Information Risk Officer and Data Protection Officer.</p> <p>Assessment of Legal implications included within all reports to Members.</p> <p>GDPR requirements are addressed by two officer groups, Information Governance Group and Procurement OSG, which includes Legal representation.</p> <p>CPD and Professional Monitoring offered to all staff</p> <p>The Council has undertaken both Corporate Governance and GPDR reviews / audits.</p> <p>Legal Services give sign off of key corporate projects</p>	2	4	8	<p>The Council continues to disseminate new legislative requirements to both Officers and Members.</p> <p>Officers ensure that professional update training is undertaken.</p> <p>Members received GDPR training in July 2018, with all officers completing e-learning on GDPR by May 2018.</p> <p>Revised constitution approved by Members in July 2019.</p> <p>Additional GDPR and Cyber Awareness Training undertaken by all staff and members, completion date of October 2019.</p> <p>Protocol for virtual meetings agreed in May 2020 to allow for all Members to continue during the pandemic. Scrutiny Review of protocol commenced by Overview &amp; Scrutiny Committee on 3 Dec 2020, leading to revised protocol being agreed in April 2021. UPDATE - protocol now expired as regulations permitting virtual meetings expired.</p> <p>Delivery of audio/ visual technology in Chamber to enable transparent decision making and streaming - UPDATE - delivered in May 2021</p> <p>Information Governance OSG considered risks for transfer of personal data between EU and UK post 31 December 2020</p>	Need to ensure that all 7 key themes of the Corporate Strategy are delivered in lawful manner.	Director of Central Services and Deputy Chief Executive	Oct-21
9	f	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017	3	4	12	<p>The Council has;</p> <p>Information Security Policy deployed via Policy Management System.</p> <p>Implemented network security measures including access controls.</p> <p>Considered cyber insurance.</p> <p>Established an Information Governance Group.</p> <p>Appointed a Member Cyber Champion.</p> <p>Rolled out Cyber awareness training to all staff and Members via eLearning.</p> <p>Deployed 'Next generation' PaloAlto firewall technology for improved visibility and control.</p> <p>Deployed software solution to identify potential confidential data held on file servers.</p> <p>Deployed DLP software at email egress point.</p> <p>Implemented secure email in accordance with NCSC guidelines.</p> <p>Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary.</p> <p>Implemented Solarwinds Security Event Manager.</p> <p>1 member of IT team obtained Certified Information Systems Security Professional (CISSP) qualification October 2020.</p> <p>Implemented cloud backup and DR facilities to improve resilience; and embedded cyber security into DR and BCP processes.</p> <p>Continued to monitor Cybersecurity alerts via LGA Cyber Security email; through membership of NLAWARP and CISP; and attending information sharing events such as Kent Connects Information Security Group.</p>	3	3	9	<p>The Council has;</p> <p>Prioritised the resources (both financial and staff) to ensure relevant updates and security mitigations are carried out in a timely manner.</p> <p>Scheduled annual IT Health Check (ITHC), quarterly PCI scans, and monthly vulnerability scans, feeding into remediation plans. Investigating and resolving detected security issues from latest ITHC 2-5/8/21.</p> <p>Planned review of firewall ruleset for Azure Q2/Q3 following Palo Alto firewall migration to Cloud in March 2021</p> <p>Implemented Forcepoint cloud based web filtering with roll-out to staff 75% complete by September 2021. Developed and tested Forcepoint email filtering migration to Cloud, live deployment scheduled for September 2021</p> <p>Carrying out a Phishing testing process, and will be rolling out a training programme for all staff and Members dependent upon vulnerabilities detected. Q2/Q3.</p> <p>Further email to be sent out to all staff and members on cyber security vigilance. Q3</p>	IT Strategy	Director of Finance and Transformation	Dec-21

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
10	IT Infrastructure	F, R	Failure to adequately invest resulting in inability to keep pace with technological change, leading to systems that are not fit for purpose to meet organisational need.	4/1/2017	3	4	12	<p>IT Strategy and action plans have been reviewed and updated.</p> <p>Invest to save opportunities and funding identified and projects have been initiated.</p> <p>Digital Strategy - developed and approved by Members in July 2019.</p> <p>Replacement of legacy business systems and greater use of digital alternatives (cloud based) projects have been initiated.</p> <p>Disaster Recovery solution (cloud based) has been implemented.</p> <p>All staff are able to work remotely via laptops and secure 'always-on' VPN.</p> <p>Ipads and required software rolled out to Councillors, MT Members, Senior Management and in-field Staff.</p> <p>Data quality policy has been introduced to ensure improvement and efficiency can be achieved.</p> <p>Introduced Microsoft Teams for virtual meetings for members and staff.</p> <p>Implemented hybrid media conferencing solutions for on-site and remote workers.</p>	3	4	12	<p>IT Strategy has been reviewed, updated and extended to 2023 (previously 2018-2022) with linkage to MTFS and Savings and Transformation and Digital Strategy.</p> <p>New CMS solution has been procured and website launched in June 2021 to improve digital engagement for residents and businesses.</p> <p>Active engagement of Officer and Member Groups in the implementation of digital agenda and changes to the Website format and content.</p> <p>Migration of production environment underway from on-premises to Cloud to improve and sustain business continuity and service availability. Due to be completed 2021/2022. 90% complete by September 2021</p> <p>Mobile working solution for in-field workers currently being developed and undergoing field testing.</p> <p>Corporate/enterprise document management system has been procured and implementation is underway. Expected to be completed in 2021/2022.</p> <p>Multi-factor authentication solution being enabled for remote access to improve security and business continuity. Live deployment 6th September 2021.</p> <p>Multi-media Contact Centre management solution being replaced with state of the art technology and features to improve customer experience in line with current industry standards. Implemented July 21. Project closure anticipated mid-September.</p> <p>Migration of Telephony to the Cloud, to improve business continuity and functionality is underway. Implemented in July 21. Project closure anticipated mid- September.</p> <p>Introduction of mobile app facilities to enable proactive and responsive engagement with residents and businesses is being considered to be launched in parallel with the new website.</p> <p>Deployment of Office 365 to improve flexibility, availability and collaboration, is currently underway with 85% of staff already migrated.</p> <p>Investigating hybrid media conferencing solutions for on-site and remote workers. June / July 2021</p>	IT Strategy	Director of Finance and Transformation	Dec-21

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
11	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	updated January	3	4	12	<p>The Council has in place;</p> <ul style="list-style-type: none"> <li>Business Continuity Plan.</li> <li>Corporate Business Continuity Risk Register</li> <li>Emergency Plans</li> <li>Disaster Recovery Plans</li> <li>Inter-Authority Agreements</li> <li>Mutual Aid Agreement</li> <li>Partnership agreement with Kent Resilience Team.</li> <li>Emergency Planning Support Officer.</li> <li>Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience.</li> <li>Covid Secure rest centre plan has been developed</li> </ul>	3	contain	#VALUE!	<p>Emergency planning documentation undergoing constant review and key aspects exercised on an annual basis.</p> <p>Training organised by Kent Resilience Team . Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise.</p> <p>Duty Officer rota in place to support Duty Emergency Coordinators out of hours. All staff fully trained before commencing duties. Out of Hours Manual reviewed and regularly updated. DSSLTS sits on Kent Resilience Forum Strategic Board.</p> <p>Actions taken in response to the Covid 19 pandemic will be reviewed and lessons learnt for the future. Any approved changes will be reflected in the Corporate Business Continuity Plan. Business Continuity Group including all members of Management Team meets twice weekly to oversee and coordinate response to pandemic.</p> <p>Annual Emergency planning review to be reported to Management Team.</p> <p>Pandemic response dealt with as emergency through Kent Resilience Forum. Reports regularly presented to Cabinet. More detailed reports covering Review Reorientation and Recovery presented to relevant Advisory Boards. Training courses are being delivered in a Covid safe manner for roles within the Emergency Plan. Recruitment into roles in the Emergency Plan is on-going. Emergency Planning Officer's hours increased to full time during pandemic. Virtual Emergency Management systems are being developed to allow a virtualised Emergency Control Room and data handling.</p>	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services	Dec-21
12	Devolution	F, R, S	Uncertainty about future operating models and changes / opportunities in responsibilities or service provision leading to financial pressures, impact on quality of services, reputational damage.	01/04/2017	3	3	9	<p>Continual scanning of national / regional and Kent wide agenda by CE / Corporate Services manager. Participation in county wide debate via Joint Kent Chief Execs and Kent Leaders meetings.</p> <p>Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing.</p>	3	3	9	<p>White Paper on Devolution is to be published in the Autumn. Analysis of this will be a priority action.</p>	External risk/national issue	Chief Executive	As required



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
14	Welfare reform inc. Housing need	F, R, S	<p>Safeguarding impact on TMBC residents due to reduction in benefits, introduction of UC and increase in applications for DHP, etc. Failure to adequately understand and meet housing needs and return unsuitable properties to use leading to increase in homelessness or occupation of unsuitable homes. Financial impact of increased emergency accommodation and failure to maximise new homes bonus.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	4	3	12	<p>Cross sector working (e.g. welfare reform group) to identify issues and solution.</p> <p>Providing advice to residents on welfare and housing issues, or signposting to relevant providers.</p> <p>Working with partners to identify land and funding opportunities. Working with Registered Provider Partners to ensure needs of residents are being met.</p> <p>Working with owners to bring long term empty properties back into use.</p> <p>New initiatives for Temporary Accommodation, including purchase of flats and properties to be converted.</p> <p>Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports.</p> <p>HRA implications assessed and GPC agreed new posts to deliver service which have been recruited to. Universal Credit rolled out Nov 18 for Tonbridge &amp; Maidstone Job Centres. Signposting now to UC rather than HB for new working age claimants. CTR Scheme approved for 21/22 . Hardship policy updated to allow for the "up to £50" contribution by KCC for working age CTR claimants in 21/22</p> <p>Council tax and business rates instalments were deferred if requested by residents impacted by furlough schemes etc. Chancellor's hardship funds (up to £150 for working age people with council tax support) credited to council tax accounts as appropriate during 20/21. Community hub set up to help those who are shielded or otherwise vulnerable. Signposting for help by telephone or website. CEV funding passed down by KCC in 20/21</p> <p>Local Emergency grant scheme and Winter grant scheme with funding passported from KCC</p> <p>New housing panel in place to work alongside RPs in considering best use of available properties. TMBC joined British Red Cross as a partner for severe hardship cases</p>	3	3	9	<p>Improved working with TA providers leading to more guarantees of available accommodation and working towards a procurement exercise to improve value for money.</p> <p>Improved working with main housing provider to identify trends/specific cases across borough to jointly agree approach to preventing homelessness using housing provider mechanisms, DHP payments and homeless prevention funding where needed.</p> <p><b>New temporary accommodation purchased but refit needed to make fit for purpose. Construction costs have increased - report to FIPAB September 2021 with options</b></p> <p>Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&amp;M. work with Kent councils collaboratively to ensure grants and support targeted to those most in need</p> <p>Approach to additional purchase of TA to be agreed so timely response can be made to opportunities that arise.</p> <p>Extension of self-isolation payments to Sept 21</p>	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health	Oct-21
15	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	3	3	9	<p>Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers.</p> <p>Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings &amp; Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&amp;TS.</p>	3	3	9	Member briefings and training sessions.	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	As required

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
16	Flooding	F, R, S	Impact on resources to support emergency planning, financial impact due to damage, loss of resources, etc. Residents and staff put at risk of harm. Impact on key flood risk areas - Tonbridge, Hildenborough, East Peckham and Aylesford.	01/04/2017	3	4	12	Working with partners (EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding.  Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.	3	4	12	Work with partner organisations via Kent Resilience Forum continuing.  Council represented on key County Partnership Groups overseeing EU Transition implications including Strategic Coordinating Group.  Council Officers dial into Severe Weather Advisory Group meetings. Regular attendance at KRF training sessions. Ongoing support for Tonbridge Flood Group. Funding allocated in Council's Capital Plan to support works to Leigh Flood storage area. £20,000 from Business Rates Retention Pilot Reserve approved for Natural Flood Management Schemes in the Borough (Leybourne Lakes and Ightham Mote)	Emergency Plan Contingencies Act 2004 Civil Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services	Dec-21
17	Waste/ Recycling Contract	F, R, S	Failure to provide new service and deliver described outcomes in accordance with contract timescales and health and safety obligations. Significant reputational risk. Risk of challenge from tenderers. Failure to achieve financial targets for garden waste scheme.  Coronavirus pandemic has significant economic implications for businesses and residents. Future sustainability of contract.	01/07/2018	4	4	16	Partnership arrangement with TWBC, with allocation of key tasks. Internal Project Group reporting regularly to MT and Members.  External advice sought from specialists on key decisions. Detailed project plan, risk register and marketing plan in place. Inter authority agreement with KCC encourages improved recycling performance and shares risks and rewards.  IT, Communications and Operations identified as crucial work streams and individual working groups established to manage and implement these work areas.  Waste services continue to be affected by the pandemic and most recently the national shortage of HGV driver. Agreed with contractor to cease collection of garden waste for a period of time to allow focus on recycling and general waste. Residents are having subscriptions extended to compensate. No new subscriptions now available. Saturday freighter service also suspended. Street cleansing was not suspended but has been impacted as other services have taken priority.  Full roll out of service to flats postponed with pilot to take place in Tonbridge which started on 4 September following Member approval.  Joint Task and Finish Group established with Tunbridge Wells BC following fatality on the TW's side of the contract. Group set to review both Urbaser's response to the incident and TW's and TMBC's implementation and monitoring of H&S protocols and procedures. Notes of the meeting to be fed in to MT.HSE investigation has concluded that no action will be taken by the HSE or Police.  Regular meetings taking place with senior management at Urbaser to consider the future sustainability of the contract and financial implications resulting from the pandemic and Joint Member Group established with TW's to	3	3	9	New contractor (Urbaser) appointed with commencement in March 2019. New service delivery arrangements, including opt in garden waste collections commenced 30th September 2019. Operational and Marketing plan approved by members in Feb 2019. Contractor Annual Service plan to be monitored by Partnership Manager. Garden Waste charges set to encourage uptake  Government consultation on new Waste & Resources Strategy including greater consistency of collection arrangements across local authorities. Response sent on new Government Strategy in liaison with Kent Resource Partnership.  Contract performance, following new service delivery arrangements, has been unsatisfactory in terms of missed collections and uncompleted rounds. Focus is now on ensuring the contractor delivers the contract in accordance with the specification across the whole borough.  Uptake of garden waste subscription has been positive and exceeded 30% initial target.  Reports on progress submitted to meeting of SS&EAB and Member Liaison Group in place. Contract performance improved.  Garden waste collection and new subscriptions recommenced. Consideration of date for roll out of new service to flats and subsequent reduction in bring bank sites to be reviewed.	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	Sep-21

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**Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing	
Chief Executive and Central Services	COVID-19	Impact on resources within service	Ongoing	Part of Strategic Risk Register.	
	Larkfield Leisure Centre	All showers are currently closed due to COVID-19. Last set of samples in August came back all clear, but the biocide is running at 100ppm in order to achieve that. Further samples now clear, so Trust have moved to quarterly sampling. We will only need this if samples go the wrong way, but the cost of such a system is unbudgeted.	Ongoing	Ongoing. Impact of pandemic continues and biocide levels will be reviewed once centre is back in full operation.	
	Transitional Working Arrangements	Trial period due to start in September 2021	Ongoing.	Working arrangements to commence 13 Sept. Need to keep under review during 12 month trial to monitor effectiveness.	
Finance and Transformation	Coco Compliance	Review of IT Infrastructure identified several areas of weakness for IT standards compliance	Ongoing	Number of risk removed, expected that remaining risks, once removed, will allow full compliance.	
	Council Website	Implementation of new Council Website for transitional arrangements.	Removed	New Website now up and running	
	IT infrastructure	Procurement and implementation of IT infrastructure for production environment. Current equipment goes out of support in December 2020.	Ongoing	In order to mitigate the immediate risk IT services are currently looking at options to extend the support for existing equipment past December 2020 with the current service provider.	
	Covid 19	Pandemic issues surrounding Council Finances	Ongoing	Part of Strategic Risk Register.	
	Equipment Failure	Emergency Generator currently under repair. Risk of power failure lasting longer than 20 minutes will result in failure or IT systems not held within Azure Cloud.	Removed	Now repaired	
	Supported Accommodation	Change in KCC approach for care need could have impact on ability to recover Housing Benefit Subsidy	Ongoing	Meetings arranged to assess full impact to district councils	
	Temporary Accommodation (TA)	Increasing use of TA (backdrop of Homeless Reduction Act implementation/access to affordable PRS etc.) resulting in increasing cost to Council	Ongoing	Work at a strategic level to respond to increasing demand is ongoing however will take time to come to fruition and have impact on numbers. Also important to note that numbers are not static and increases are expected.	
Planning, Housing and Environmental Health	Temporary Accommodation (TA)	Personal injury claims	Ongoing	During the Covid-19 crisis we do not have the same property inspection regime and people are spending more time at home.	
	Food & Safety	Increased risk of food complaints/poisoning. Additional resources to manage backlog of inspections.	Ongoing	During the Covid-19 crisis the ceasing/reduction in the food hygiene inspection regime may result in food safety issues. There will also be a backlog of food safety inspections due to restrictions on visiting/businesses closed. FSA guidance awaited but suspect locally we will need to manage.	
	Increased number of planning appeals/inquiries	Identified in service and in the knowledge of associated costs to resource them effectively	Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption	
	Local Kent Tracing Partnership work	T&M from end November 2020 are part of the Local Kent Tracing Partnership which involves Officers visiting the properties of Covid positive residents to complete close contact information with them.	Ongoing	High risk activity - fully risk assessed and measures implemented to reduce risk as much as possible but requires continuous monitoring and review.	
	Local Plan	Risk of delay to adopting the Plan if the Council's challenge of the LP Inspector's Final Decision remains unresolved for an extended period of time.	Ongoing	In the event the process has to begin again the timescales to adopt by the end of 2023 are very challenging. Failure to secure member approval by the Summer would make this unachievable.	
	Local Plan	Although Covid-19 infection rates are falling due to the third lockdown measures introduced in January 2021 there remains a risk of illness having a detrimental impact on the Council's Team	Ongoing	The Team will continue to be fully engaged in the Local Plan process throughout 2021, initially to progress routes of challenge of the LP Inspector's decision and potentially starting the process again later in the year.	
	Legionella	Problem identified in LLC Dry change showers.	Ongoing	See issues covered under Central Services.	
	Bridge inspections	Bridges on Council owned land identified as service risk. Internal Officer Group established and bridge audit progressed. Identified as Service Pressure Aspiration. Revenue budget approved to inspect and repair bridges over 2 years and annual inspections to be progressed.	Ongoing	Second year programme of work currently being progressed. Further survey undertaken and report being analysed.	
	Street Scene, Leisure and Technical Services	Leybourne Lakes Country Park	Anti-social behaviour increased on site during peak summer months which became unmanageable for on-site staff. External security staff appointed and extended during Covid due to increase in users.	Ongoing.	Problem will need to be addressed annually during peak summer months.
		Waste Contract	Following a previous Road Traffic Accident and recent fatality on the contract a joint Task and Finish Group has been established with TWBC to undertake a fundamental review of the Partnerships internal operating procedures in regard to health and safety application and monitoring. Group to include (from TMBC) Director, Head of Service, Partnership Manager, H&S Officer, Legal and operational staff.	Ongoing.	Task and Finish Group has completed its review and made a number of recommendations relating to the health and safety management of the contract. The Health and Safety Executive are not pursuing the matter further with Urbaser following its recommendations but has made a number of recommendations which the contractor is implementing.

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

27 September 2021

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Delegated

### **1 STATEMENT OF ACCOUNTS 2020/21 AND EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE ACCOUNTS**

This report presents the current set of Accounts for 2020/21 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Members are invited to approve both the Statement of Accounts and the Audit Findings Report. The external auditors report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

#### **1.1 Introduction**

- 1.1.1 An audited set of Accounts for 2020/21 must be approved by the Council or a Committee of the Council by no later than 30 September 2021. Under the Council's Constitution responsibility for the approval of the Statement of Accounts is delegated to this Committee.

#### **1.2 Statement of Accounts**

- 1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. There have been no material changes to the presentation of the Accounts for 2020/21.

#### *Covid-19 Pandemic*

- 1.2.2 There will be numerous issues that will impact on the finances of local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:
- Property Plant and Equipment and Investment Property – Property values are based upon market values and are periodically reviewed to ensure that the Council does not materially misstate the value of its property, plant and equipment and investment property. After discussing the issue with the

Council's External Valuers their response is as follows: "This valuation has been undertaken during the Covid-19 pandemic which has impacted commercial and leisure uses and resulting investment markets. It is likely that this will be a year of exceptional circumstances in which values may not be representative of longer term market value."

- Property investment funds – the Fund managers are no longer expressing material uncertainty in valuations.
- Pension Fund Assets and Liabilities – The Pension Fund Administrators, Kent County Council, has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The report and assumptions received from the actuary have adjusted for the increased rate of deaths surrounding Covid-19 and its impact on overall mortality rates.
- Collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the Covid-19 pandemic could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review.

1.2.3 An audited set of Accounts for 2020/21 **[Annex 1]** is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
- 2) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2021. It shows the value of the Council's assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to council tax and business rates.

1.2.4 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council's responsible financial officer, I have certified that the Statement of Accounts present a "true and fair view" of the financial position of the local authority at the end of the year and its income and expenditure for the year.

1.2.5 The Statement of Accounts is subject to external audit.

### **1.3 Accounts and Audit Regulations**

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer to certify an unaudited set of accounts for issue, that present a "true and fair view" of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021, on or before the first working day of August 2021.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September 2021 and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

### **1.4 Audit Findings Report**

1.4.1 Our external auditor (Grant Thornton UK LLP) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts, and for this to be endorsed and approved before the Accounts are signed off. It is this Committee that is charged with governance for this purpose.

1.4.2 In accordance with this requirement, the Audit Findings Report on the outcome of the audit of the Statement of Accounts 2020/21 is attached at **[Annex 2]**. Members will note that the Engagement Lead anticipates being able to issue an unqualified audit opinion on the financial statements and value for money conclusion following this meeting.

1.4.3 The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

1.4.4 At the time of writing there has been one additional comment added to the notes to the Core Statements concerning Events After the Balance Sheet Date (Note 6). This change concerns the subsequent approval of planning permission for the Investment Property at 1 - 4 River Walk, the granting of this planning permission

has a financial effect on the property value, and is to be reflected in the 2021/22 financial statements. A small number of textual changes have also been made at the request of the Auditors.

## **1.5 Letter of Representation**

- 1.5.1 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation [**Annex 3**] that I have prepared. With that in mind Members are asked to approve the Letter for signature by the Chairman and me when Grant Thornton issue their opinion.

## **1.6 Legal Implications**

- 1.6.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 The proposed fee for the audit of the 2020/21 Accounts is £58,248. This compares to a current budget provision of £42,750. Albeit councils are to receive additional government grant funding in recognition of changes to the scope and depth of audit work required, and await notification of our grant allocation as a result.

## **1.8 Risk Assessment**

- 1.8.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

## **1.9 Equality Impact Assessment**

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.10 Recommendations**

- 1.10.1 Members are **RECOMMENDED** to:

- 1) Receive and approve the enclosed audited set of Accounts for 2020/21 [**Annex 1**] and ask that the Chairman sign the Accounts in the appropriate place.
- 2) Approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2020/21.

- 3) Approve the Letter of Representation [**Annex 3**] for signature by the Chairman and me when Grant Thornton issue their opinion.

Background papers:

contact: Paul Worden

Investment information provided by King & Shaxson  
Pension information provided by Barnett Waddingham  
Valuation/Impairment information provided by BPS  
Chartered Surveyors

Sharon Shelton  
Director of Finance and Transformation

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# The Audit Findings for Tonbridge and Malling Borough Council

**Year ended 31 March 2021**

Tonbridge and Malling Borough  
Council  
31st March 2021  
Page 61



# Contents



**Your key Grant Thornton  
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Page 62

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money arrangements	18
4. Independence and ethics	20
<b>Appendices</b>	
A. Action plan	22
B. Audit adjustments	23
C. Fees	24

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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tonbridge and Malling Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Page 63

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Tonbridge and Malling Borough Council and their income and expenditure for the year ending 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June-September. Our findings are summarised on pages 5 to 18. We have identified no adjustments to the financial statements, other than disclosure amendments, resulting in a £nil adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit will be included in the final version of this report.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

### Testing in process

- Review of related party disclosures and agreement to evidence
- Review closure by engagement lead on grant revenue testing and PPE testing
- Audit fee disclosure reconciliation
- Substantive work on going concern

### Awaiting evidence

- Cybersecurity questionnaire responses with IT expert
- Pension liability – we are awaiting receipt of assurance from the Kent Pension Fund auditors. As per our inquiries, we expect to receive feedback in mid-September
- receipt of management representation letter
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 17/12/2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Currently we have no findings which indicate a significant weakness is present

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 27 September 2021. These outstanding items include:

- Receipt of cybersecurity questionnaire information and subsequent consideration on file
- Receipt of assurance from Kent Pension Fund auditors
- Review and confirmation of related party disclosures
- Completion of substantive procedures regarding going concern
- Receipt of management representation letter; and
- Review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as verifying the completeness and accuracy of information provided remotely produced by the entity and cover for sickness absence.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan March 2021.

Page 66

### Council Amount (£) Qualitative factors considered

Materiality for the financial statements	1,200,000	This has been calculated based on 1.91% of your gross expenditure (cost of services) in the draft accounts
Performance materiality	900,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement.
Trivial matters	60,000	This has been calculated as 5% of headline materiality



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

Management override of controls

We have:

- Evaluated the design effectiveness of management controls over journals through walkthrough testing. The controls in place are considered reasonable although one item has been included in the internal control findings section regarding journal posting access rights.
- Analysed the journals listing and determined the criteria for selecting high risk unusual journals. For TMBC, our risk scoring identified post year end journals and those posted by irregular system users to be particularly risky based on the small number of people with access to the system.
- Based on the risk scoring criteria above we identified and tested journals which scored highly in our risk rating made during the year and the accounts production stage which scored highly in our risk rating. We tested this sample of journals for appropriateness by corroborating to supporting third party evidence of workings justifying the journal. All journals tested were considered appropriate and could be supported with sufficient evidence.
- Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- We did not identify any significant unusual transactions

From the work performed, there was one item arising in respect to this risk which requires reporting to the Audit Committee. This has been explained on page 13.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

Valuation of land and buildings (including Council Investment Properties)

During our audit procedures we have:

Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuer and the scope of their work

Evaluated the competence, capabilities and objectivity of the valuation expert

Written to the valuer to confirm the basis on which the valuation was carried out

Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the valuer's report and the assumptions that underpin the valuation

Tested a sample of revaluation made during the year to ensure that they have been input correctly in to your asset register

Evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to the current value at year end. The auditor has confirmed that assets have been revalued within the five year cycle specified by the CIPFA code.

Our audit work has not identified any issues in respect of valuation of land and buildings.

Valuation of pension fund net liability

Audit procedures undertaken to date include:

- Identification of the controls put in place by management to ensure that the pension fund liability is not materially misstated, and assessment of whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement
- Review of the competence, expertise and objectivity of the actuary who carried out the pension fund valuation, and gain an understanding of the basis on which the valuation is carried out
- Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the actuary
- Undertook procedures to confirm the reasonableness of actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested by their report

Planned procedures under our audit approach which at the date of writing remain in progress include:

- Procedures on receipt of assurance query responses from the Kent Pension Fund auditors

At the date of writing, there are no issues arising from our work in respect of this risk which require reporting to the Audit Committee as those charged with governance. We will update this position to the date of issuing our auditor's report.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

Fraud in expenditure recognition

Audit procedures undertaken included:

- An inspection of transactions around the financial year end to assess whether they had been included in the correct accounting period. This also involved a review of post end bank statement and invoice transactions. No cut-off issues were identified.
- Sample testing of year end accruals for expenditure not yet invoiced and agreement to the bill value once received
- Assessment of year end accruals in comparison to prior year total and size to ensure completeness. No obvious error or omission was identified.
- Manual journals posted as part of the year end accounts preparation reducing expenditure were investigated and considered for reasonableness

From the work performed, there were no issues arising from our work in respect of this risk which require reporting to the Audit Committee as those charged with governance.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – £69.8m Heritage Assets – £15.2m Investment Properties - £4.4m	<p>The council's accounting policy for non-current assets is at Note 2r. The policy covers accounting and valuation issues as well as all classes of asset (including Land and Buildings, Heritage Assets and Investment Properties)</p> <p>Land and buildings (£69.8m including Infrastructure Assets and Community Assets)</p> <p>Management have asked the valuer to consider the year end value of non-revalued properties and the potential valuation change in the assets revalued as at 01 January 2021 movement to 31 March 2021, applying industry average indices and to determine whether there has been a material change in the total value of these properties. The valuer's assessment of assets not revalued has identified no material change to the property's value.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings. In the course of our work we have performed an assessment of management's expert, checked the completeness and accuracy of the underlying information used to determine the estimate as well as considering the reasonableness of increase/decrease in estimate.</p> <p>The adequacy of disclosure of estimate in the financial statements has also been considered and is deemed reasonable.</p> <p>There were also a number of issues identified in the prior year Audit Findings Report which have been considered below.</p> <p><b>Valuation of Depreciated Replacement Cost (DRC) assets</b></p> <p>It was identified in the prior year that for specialised assets revalued using the DRC method, the costs were originally being calculated using an "All-in Tender Price Index" from the Building Cost Information Service (BCIS). In 2021, the valuer has confirmed that cost estimates have been resourced from a specialist quantity surveyor and BCIS rates updated and adjusted for the Tonbridge and Malling Location.</p> <p><b>Investment properties</b></p> <p>Management have updated their policy as recommended in the prior year to have the full investment property portfolio revalued on an annual basis. To check that this occurred, the auditor obtained the listing of investment properties on the fixed asset register and agreed that all of them were included in the revaluation report. The revaluation methodology and assumptions are considered reasonable. There are no indicators of material misstatement.</p> <p>4 River Walk – Management have included disclosure of a post balance sheet event relating to the planning permission decision granted for the property which is likely to increase the valuation in 21/22 financial statements.</p> <p><b>Heritage Assets</b></p> <p>There has been no change to the Tonbridge Gatehouse valuation which makes up 98.8% of the Heritage Asset total. Following the confirmation work performed by the auditor in the prior year there has been no indication that the asset is impaired or that the asset value is materially misstated.</p>	

### Assessment

● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious  
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## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																					
<b>Net pension liability – £61.2m</b>	<p>The Council's net pension liability at 31 March 2021 is £61.2m (PY £55.2m) comprising the Kent County Council Local Government Pension Scheme. The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> <li>We assessed you actuary, Barnett Waddingham, to be competent, capable and objective</li> <li>We have used PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions</li> </ul>																						
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>1.95%</td> <td>1.95%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.80%</td> <td>Set at CPI. PWC report explains that this is centre of range.</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.80%</td> <td>3% – 4%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.9 20.5</td> <td>Within range</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.8 23.3</td> <td>Within range</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We consider the disclosure of estimate in the financial statements to be adequate.</li> </ul>		Assumption	Actuary Value	PwC range	Assessment	Discount rate	1.95%	1.95%	●	Pension increase rate	2.80%	Set at CPI. PWC report explains that this is centre of range.	●	Salary growth	3.80%	3% – 4%	●	Life expectancy – Males currently aged 45 / 65	21.9 20.5	Within range	●	Life expectancy – Females currently aged 45 / 65
Assumption	Actuary Value	PwC range	Assessment																					
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Life expectancy – Females currently aged 45 / 65	24.8 23.3	Within range	●																					

Page 71

### Assessment

- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Page 72

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £4.7m	<p>Under the accounting policy at note 2t the Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but where there is uncertainty as to the amount or the date on which they will arise.</p> <p>The Council has assessed the potential liability of valuation appeals arising from business rate premises in respect of monies received up to 31 March 2021. That element of the provision relating to the 2010 rating list is based on a case by case assessment using information received from the Valuation Office Agency and an external firm, Analyse Local. That element of the provision relating to the 2017 list is based on applying a percentage of Rateable Value based on central guidance, but subject to varying this rate locally for certain types of business premises or property.</p>	<p>We reviewed the calculations supporting the NNDR appeals provision at 31 March 2021. We concluded that;</p> <ul style="list-style-type: none"> <li>the underlying information used to determine the estimate appeared appropriate.</li> <li>there were no significant changes to the basis of estimation compared with the previous year.</li> <li>the approach was consistent with that of other local authorities</li> <li>the estimate was adequately disclosed in the financial statements.</li> </ul> <p>We concluded that management's estimation process was appropriate</p>	
Debtors: Impairment allowance	<p>The council makes an impairment allowance for debtor balances taking into account the size and age of the debt as well as the likelihood of recovery.</p> <p>At 31 March 2021 the impairment allowance for debtors was £3.289m (PY £3.084m).</p>	<p>We reviewed the calculation of the Council's impairment allowance for debtor balances at 31 March 2021. We concluded that;</p> <ul style="list-style-type: none"> <li>the underlying information used to determine the estimate appeared appropriate.</li> <li>there were no significant changes to the basis of estimation compared with the previous year.</li> <li>the approach was consistent with that of other local authorities</li> <li>the estimate was adequately disclosed in the financial statements.</li> </ul> <p>We noted that the impairment allowance methodology had not been adjusted to take into account the impact of the pandemic. Management have considered collectability throughout the pandemic and provided workings supporting the rates used to calculate the provision. Given the uncertainty of long term recoverability we have listed this as potentially optimistic but there is no indication of error.</p>	

### Assessment

- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - Internal Control

Page 73

Assessment	Issue and risk	Recommendations
●	<ul style="list-style-type: none"> <li>The journals testing identified that one of the user input fields (journal poster) is not locked. This means that an individual can post a journal but enter that it was posted by a different user. There is a risk that system users could manipulate this to post journals out of their normal field without detection or could disrupt an audit trail.</li> </ul> <p>The risk is not considered significant due to the mitigating controls in within the system preventing unauthorized users from logging on.</p>	<ul style="list-style-type: none"> <li>Journal input field edit access should be reviewed to consider whether these rights to edit journal data can be removed.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Only six users have the ability to post Journals on the live system and instructions have now been given to inputting staff that their initials must be logged on that particular field. Further investigations will be made with software provider to auto-populate this field on input.</li> </ul>

## Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 74

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

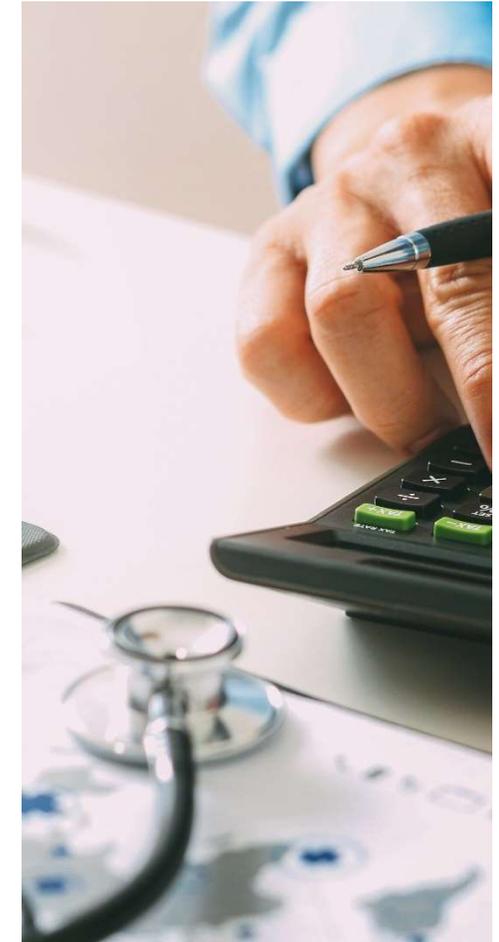
Page 75

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is due within 3 months of this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We have nothing to report on these matters</p>

Page 76



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Note that work is not required as the Council does not exceed the threshold;</li> </ul>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Tonbridge and Malling Borough Council in the audit report due to incomplete VFM work.

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.

- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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## 3. VFM - our procedures and action plan

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our initial procedures.

# 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are shown in Appendix C.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Page 80

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	12,000	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the total fee for the audit of £58,248 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review because GT provides audit services	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified [X] of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Page 82

Assessment	Issue and risk	Recommendations
	Journals system control finding noted on p13	To review whether journal input fields can be locked by software provider Management response Agreed – management to investigate in year

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 83  
There have been no items identified by the auditor that management have not adjusted for (there are no unadjusted items to report)

## Impact of adjusted misstatements

There were no audit identified, adjusted misstatements in the financial statements

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 10 in draft accounts for leases trade undertakings initially not updated for 2021 figures.	Amend to reconcile to latest balance sheet  Management response Adjusted	✓

# C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	42,748	42,748
Revised ISA requirements	6,500	6,500
VFM Report review	9,000	9,000
Total audit fees (excluding VAT)	£58,248	£58,248

Page 84

The audit fee disclosure reconciliation to the summary above is in progress.

The auditor would like to bring attention here to the £6,950 rebate from PSAA received by Tonbridge and Malling Borough Council and also to the yet to be confirmed additional funding from MHCLG to support 20/21 audit fees.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Audit Related Services: Certification of Housing Benefit Subsidy Claim	12,000	TBC
Non-Audit Related Services: None	Nil	Nil
Total non-audit fees (excluding VAT)	£12,000	TBC



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[www.tmbc.gov.uk](http://www.tmbc.gov.uk)

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<b>Contact</b>	<b>Mrs S Shelton</b>
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Your ref.	
Our ref	F/200/
Date	27 September 2021

Dear Sirs

**Tonbridge & Malling Borough Council**  
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Tonbridge and Malling Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Financial Services  
Gibson Building, Gibson Drive, Kings Hill, West Malling, Kent, ME19 4LZ  
Director of Finance and Transformation: Sharon Shelton BSc (Hons), FCPFA  
Chief Financial Services Officer: Neil Lawley FCPFA

Have you tried  
contacting us at  
[www.tmbc.gov.uk/  
do-it-online?](http://www.tmbc.gov.uk/do-it-online?)

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the

financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

### Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Report**

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 27 September 2021.

Yours faithfully

Name: Councillor Ann Kemp  
Position: Chair of the Audit Committee  
Date:

Name: Sharon Shelton  
Position: Director of Finance and Transformation  
Date:

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

27 September 2021

#### Report of the Chief Audit Executive

#### Part 1- Public

#### Matters for Information

#### 1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function for the period April 2021 to August 2021.

#### *Internal Audit Update*

#### 1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council 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 and guidance.*

1.1.2 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.* For TMBC, the "Board" is considered to be the Audit Committee.

#### 1.2 Internal Audit and Counter Fraud Resource Update

1.2.1 The shared service agreement between Tonbridge and Malling (TMBC) and Kent County Council (KCC) has now been signed and will begin on 1<sup>st</sup> October 2021. KCC will, from this date, provide all Internal Audit and Counter Fraud services for TMBC. This will include the transfer of the Fraud Officer and Intelligence Officer to KCC.

1.2.2 The Fraud Officer has now started her maternity leave. This has led to a short-term gap in resources. Recruitment is underway by KCC to provide cover for this post and ensure sufficient resource to deliver the Counter Fraud plan.

#### 1.3 Progress against the 2021/22 Plan

1.3.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2021/22 was approved by Members of the Audit Committee in April 2021 and work started on

the plan in June 2021. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2021/22 against the Plan. The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work.

- 1.3.2 Since the last Audit Committee in July, progress against the Audit Plan has been good, considering staff leave during August. Currently the plan is broadly on target, although there are 2 quarter 2 audits that have been delayed until later in the year, and there is also a relatively high number of audits due to start in Quarter 3.
- 1.3.3 We have issued 1 draft report and a further audit is nearing completion. There are another 3 audits currently being undertaken in fieldwork and 4 others currently being planned with the business. A summary of the current status of all audits on the 2021/22 Plan is attached at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.

#### **1.4 Quality Assurance and Improvement Programme and Conformance with the Public Sector Internal Audit Standards**

- 1.4.1 As part of the PSIAS, Internal Audit is required to maintain a Quality Assurance and Improvement Programme (QAIP), which is overseen by the Audit Committee. The QAIP summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement and learning for the team. Oversight of the QAIP enables the Audit Committee to discharge its duty to ensure an adequate and effective internal audit function.
- 1.4.2 An External Quality Assessment (EQA) was last undertaken between January and March. Recommendations were raised and a subsequent response and improvement plan was developed. The first of these actions are due in the coming months and an up[date on progress/implementation will be presented to the Audit Committee in January 2022.

#### ***Counter Fraud Update***

#### **1.5 Prevention and Detection of Fraud, Bribery and Corruption**

- 1.5.1 This section of the report provides details of the Council's activity in preventing and detecting fraud, bribery and corruption in the year 2021/22 to date.
- 1.5.2 The Council proactively takes part in the National Fraud Initiative (NFI), a biennial nationwide data matching exercise comparing computer records held by the Council against those held by other councils and other bodies. To date, we currently have 767 matches received from the 2021 biennial exercise and to date

2 have been closed with no further action and the remainder have not been actioned as yet.

- 1.5.3 Annual data matching is also undertaken through NFI between the Electoral Register and Council Tax Single Person Discount data; the most recent results were received in December 2020. There were 886 matches received including those marked as “rising 18’s matches”, 475 have been closed with no further action required and 169 have been closed as errors resulting in underpayments totalling £58,586.31. This is money owed to the Council. Of the remaining matches, 62 are subject to further enquiries and 180 have yet to be reviewed.
- 1.5.4 An additional data matching exercise, known as supplementary, using Council Tax Single Person Discount data to a myriad of other data sets held, resulted in 1,498 matches in May 2021. To date 528 have been closed with no further action required, 1 has been closed as an error at a value of £794.27 and 17 are currently under investigation. This leaves 952 outstanding to be reviewed.
- 1.5.5 We also received a Council Tax to HMRC Household composition match in August 2019. There were 2,482 matches received of which 1,267 have been closed with no further action required, 16 have been closed with errors identified resulting in underpayments of £8,242.12, and 20 are subject to further enquiries along with 1,179 yet to be reviewed.
- 1.5.6 The Kent Intelligence Network (KIN), a government funded partnership led by Kent County Council, has been in place since September 2016. The partnership’s key aim is to prevent and detect fraud, reduce partner’s fraud risk profiles and support development of fraud professionals in Kent. It delivers a data matching function across Kent designed to address key fraud risks identified by the partners allowing a more bespoke approach and broader scope than the NFI.
- 1.5.7 The key focus area for 2021/22 has looked at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises. For Single Person Discount activity, there has been an additional £13,606 in additional Council Tax liability being identified and £5,437 in future increased annual liability through the removal of Single Person Discounts.
- 1.5.8 In 2018, Kent Finance Officer Group (KFOG) agreed to fund the procurement of a software solution that focuses on data matching businesses in receipt of Small Business Rates Relief (SBRR) nationally, the cost contribution from Tonbridge and Malling was £1,000. Data matches received through this route have been reviewed. The total income due so far in 2021/22 is £42,427 with increased annual liability of £5,685.
- 1.5.9 We have also identified through the KIN activity unrated business rates properties, this has seen an additional £49,309 in business rates being identified, increasing business rates income.

1.5.10 In addition to business rates, we have also identified through the KIN activity unrated council tax properties, usually annexes, which are currently being investigated.

## **1.6 Investigating Fraud, Bribery and Corruption**

1.6.1 The Counter Fraud Team is responsible for investigating all allegations of fraud, bribery and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. The Team works as and when required with a number of external agencies including the Department for Work and Pensions (DWP), the UK Border Agency, Kent Police and NHS Fraud to progress investigations.

1.6.2 In 2021/22, a total of 72 referrals were received. The Counter Fraud Team has closed 1 case as no further action. There are currently 18 ongoing investigations, including 14 that have been completed, but are awaiting sign off by the Counter Fraud Manager. Of the 53 remaining referrals 9 were not progressed to investigation, 26 were passed to external agencies or other TMBC departments for action and 18 referrals are currently being evaluated. The total amount of income due as a result of investigations concluded in 2021/22 is zero.

## **1.7 Legal Implications**

1.7.1 The Accounts and Audit Regulations place a statutory requirement on local authorities to undertake an adequate and effective internal audit of systems of risk management, governance and control in line with the PSIAS.

1.7.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.

1.7.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

## **1.8 Financial and Value for Money Considerations**

1.8.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

1.8.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Local Government Counter Fraud and Corruption Initiative. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

## **1.9 Risk Assessment**

- 1.9.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.
- 1.9.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

Background papers:

contact: Richard Benjamin

Nil

Jonathan Idle  
Chief Audit Executive

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<b>Audit Review Title</b>	<b>Planned Quarter</b>	<b>Current Status</b>	<b>Audit Opinion</b>	<b>Scope of Audit and Findings</b>
<b>Ethical Culture</b>	<b>1</b>	<b>Fieldwork</b>		
<b>BCP</b>	<b>1</b>	<b>Quality Assurance</b>		
<b>Corporate Governance</b>	<b>4</b>			
<b>Waste Contract</b>	<b>2</b>	<b>Delayed until Q4</b>		
<b>Local Plan</b>	<b>Ongoing</b>	<b>Planning</b>		
<b>Cyber Security</b>	<b>3</b>			
<b>Prevention of Homelessness</b>	<b>2</b>	<b>Planning</b>		
<b>Achievement of identified Savings</b>	<b>2</b>	<b>Delayed Q3</b>		
<b>GDPR/Record Retention</b>	<b>2</b>	<b>Planning</b>		
<b>Building Control</b>	<b>3</b>			
<b>Customer Services Review</b>	<b>Ongoing</b>	<b>Fieldwork</b>		
<b>Council Tax Administration</b>	<b>3</b>			
<b>Breathing space</b>	<b>2</b>	<b>Fieldwork</b>		
<b>Safeguarding</b>	<b>3</b>			

<b>Public Open Spaces Inspection regime</b>	<b>1</b>	<b>Draft Report</b>	<b>Substantial</b>	
<b>Payroll</b>	<b>3</b>			
<b>Home Working / Office Accommodation &amp; New Ways of Working</b>	<b>Ongoing</b>			
<b>Animal Licensing</b>	<b>4</b>			
<b>Recruitment &amp; Retention Strategy</b>	<b>4</b>			
<b>Delivery Against corporate plan</b>	<b>4</b>			
<b>Climate Strategy</b>	<b>3</b>			
<b>Housing Allocation Scheme</b>	<b>Ongoing</b>	<b>Planning</b>		
<b>Assurance Mapping</b>	<b>Ongoing</b>			

## Definitions of Audit Opinions

<b>High</b>	<p>There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.</p>
<b>Substantial</b>	<p>The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level of non-compliance were noted during the audit that may put a system/service objective at risk.</p>
<b>Adequate</b>	<p>The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.</p>
<b>Limited</b>	<p>Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.</p>
<b>No Assurance</b>	<p>The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.</p>

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# Agenda Item 8

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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# Agenda Item 9

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT  
INFORMATION**

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# Agenda Item 11

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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