



TONBRIDGE & MALLING BOROUGH COUNCIL

EXECUTIVE SERVICES

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

6 January 2023

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, 16th January, 2023 commencing at 7.30 pm.

Members of the Committee are required to attend in person. Other Members may attend in person or 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

1. Guidance on the Conduct of Meetings

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PART 1 - PUBLIC

2. Apologies for absence
3. Notification of Substitute Members 7 - 8
4. Declarations of interest 9 - 10

Members are reminded of their obligation under the Council's Code of Conduct to disclose any Disclosable Pecuniary Interests and Other Significant Interests in any matter(s) to be considered or being considered at the meeting. These are explained in the Code of Conduct on the Council's website at [Code of conduct – Tonbridge and Malling Borough Council \(tmbc.gov.uk\)](https://www.tmbc.gov.uk/code-of-conduct).

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

5. Minutes 11 - 14

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 26 September 2022

Matters for Recommendation to the Cabinet

6. Auditor's Annual Report 15 - 44

The Council's external auditors (Grant Thornton UK LLP) are required to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report on the same to those charged with governance - which for this purpose is the Audit Committee – followed by Cabinet and Full Council.

7. Risk Management 45 - 80

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend to Cabinet its adoption by Full Council. The report also provides an update on the risk management process and the Strategic Risk Register.

8. Treasury Management Update and Treasury Management and Annual Investment Strategy for 2023-24 81 - 130

The report provides details of investments undertaken and return achieved in the first nine months of the current financial year and an introduction to the 2023/24 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

Decisions to be taken under Delegated Powers

9. Accounting Policies 131 - 144

This report presents the Accounting Policies proposed for the 2022/23 Financial Statements for consideration and endorsement.

10. Annual Review of Whistleblowing Policy 145 - 170

This report informs Members of the outcome of the annual review of the Council's Whistleblowing Policy and Procedure, together with the external Whistleblowing Policy.

Matters submitted for Information

11. Internal Audit and Counter Fraud Update 171 - 190

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

12. Urgent Items 191 - 192

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

13. Exclusion of Press and Public 193 - 194

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

14. Urgent Items 195 - 196

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 (Chair)
Cllr N Foyle (Vice-Chair)

Cllr T Bishop
Cllr R I B Cannon
Cllr N J Heslop

Cllr P M Hickmott
Cllr J R S Lark
Cllr M R Rhodes

(Note: There is one vacant seat following the resignation of a member of the Green Party)

GUIDANCE ON HOW MEETINGS WILL BE CONDUCTED

- (1) All meetings of the Borough Council will be livestreamed to YouTube here, unless there is exempt or confidential business be discussed:

<https://www.youtube.com/channel/UCPp-IJISNgoF-ugSzxiAPfw/featured>
- (2) There are no fire drills planned during the time a meeting is being held. For the benefit of those in the meeting room, the fire alarm is a long continuous bell and the exits are via the doors used to enter the room. An officer on site will lead any evacuation.
- (3) Should you need this agenda or any of the reports in a different format, or have any other queries concerning the meeting, please contact Democratic Services on committee.services@tmhc.gov.uk in the first instance.

Attendance:

- Members of the Committee/Advisory Board are required to attend in person and be present in the meeting room. Only these Members are able to move/ second or amend motions, and vote.
- Other Members of the Council can join via MS Teams and can take part in any discussion and ask questions, when invited to do so by the Chairman, but cannot move/ second or amend motions or vote on any matters. Members participating remotely are reminded that this does not count towards their formal committee attendance.
- Occasionally, Members of the Committee/Advisory Board are unable to attend in person and may join via MS Teams in the same way as other Members. However, they are unable to move/ second or amend motions or vote on any matters if they are not present in the meeting room. As with other Members joining via MS Teams, this does not count towards their formal committee attendance.
- Officers can participate in person or online.
- Members of the public addressing an Area Planning Committee can participate in person or online. Please contact committee.services@tmhc.gov.uk for further information.

Before formal proceedings start there will be a sound check of Members/Officers in the room. This is done as a roll call and confirms attendance of voting Members.

Ground Rules:

The meeting will operate under the following ground rules:

- Members in the Chamber should indicate to speak in the usual way and use the fixed microphones in front of them. These need to be switched on when speaking or comments will not be heard by those participating online. Please switch off microphones when not speaking.
- If there any technical issues the meeting will be adjourned to try and rectify them. If this is not possible there are a number of options that can be taken to enable the meeting to continue. These will be explained if it becomes necessary.

For those Members participating online:

- please request to speak using the 'chat or hand raised function';
- please turn off cameras and microphones when not speaking;
- please do not use the 'chat function' for other matters as comments can be seen by all;
- Members may wish to blur the background on their camera using the facility on Microsoft teams.
- Please avoid distractions and general chat if not addressing the meeting
- Please remember to turn off or silence mobile phones

Voting:

Voting may be undertaken by way of a roll call and each Member should verbally respond For, Against, Abstain. The vote will be noted and announced by the Democratic Services Officer.

Alternatively, votes may be taken by general affirmation if it seems that there is agreement amongst Members. The Chairman will announce the outcome of the vote for those participating and viewing online.

Audit Committee – Substitute Members (if required)					
	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Note
1	Jill Anderson	Paul Boxall			
2	Chris Brown	Frani Hoskins			
3	Steve Hammond	Anita Oakley			
4	Brian Luker	Michelle Tatton			
5	Howard Rogers	David Thornewell			

Members of Cabinet cannot be appointed as a substitute to this Committee

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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

MINUTES

Monday, 26th September, 2022

Present: Cllr Mrs F A Kemp (Chair), Cllr R I B Cannon, Cllr J R S Lark, Cllr M R Rhodes, Cllr P Boxall, Cllr C Brown and Cllr B J Luker

Virtual: Councillors Mrs J A Anderson, M D Boughton, V M C Branson, M A Coffin, D Harman, M A J Hood, Mrs A S Oakley, W E Palmer and K B Tanner participated via MS Teams and joined the discussion when invited to do so in accordance with Council Procedure Rule No 15.21.

Apologies for absence were received from Councillors N Foyle, T Bishop, N J Heslop and N G Stapleton

PART 1 - PUBLIC

AU 22/37 NOTIFICATION OF SUBSTITUTE MEMBERS

Notification of substitute Members were recorded as set out below:

Cllr Boxall substituting for Cllr Bishop
Cllr Brown substituting for Cllr Heslop
Cllr Luker substituting for Cllr Foyle

In accordance with Council Procedure Rules 17.5 to 17.9 these Councillors had the same rights as the ordinary member of the committee for whom they were substituting.

AU 22/38 DECLARATIONS OF INTEREST

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

AU 22/39 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 25 July 2022 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 22/40 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW

The report of the Director of Finance and Transformation provided 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 2022/23 was also included in the report.

Investment income at the end of August 2022 (month five of the financial year) from cash flow surpluses, core cash investments, multi-asset diversified income and property funds was expected to outperform the original budget estimates by upward of £350,000. However, this was to be balanced against any downturn in the economy where investment values might fall significantly. It was noted that economic growth forecasts were expected to fall further given the current global economic factors and the cost of living crisis.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. There were no changes to the current approved risk parameters proposed at this time.

RECOMMENDED: That the following be commended to Council

- (1) the action taken in respect of treasury management activity for the period April to August 2022 be endorsed; and
- (2) the existing parameters intended to limit the Council's exposure to investment risks, as set out at Annex 5 to the report, be retained.

***Referred to Council**

DECISIONS TO BE TAKEN UNDER DELEGATED POWERS

AU 22/41 RISK MANAGEMENT

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). There were 6 risks categorised as 'red' as summarised below:

- Financial position/budget deficit
- Economic Uncertainty and Impact of EU Transition (severely impacted by the Coronavirus Pandemic, inflation and the conflict in Ukraine)
- Corporate Strategy and Savings and Transformation Strategy
- Waste Services
- Local Plan
- Organisational Development including recruitment and retention/skills mix

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in January 2022 were set out in Annex 2 of the report.

Subsequently a further risk had been identified as 'red' in respect of the introduction of voter identification at the next election. Whilst detail and guidance from Government around these new regulations was awaited it was difficult to plan and prepare for the local elections in May 2023. There was also the potential for increased costs and training for staff. It was indicated that Returning Officers and Election Managers were actively seeking assurance from Government that the guidance would be received in sufficient time to prepare for local elections.

Reference was made to the risk associated with the Waste Services Contract and Members were reminded that the current waste contract ran until 2027/28. Sufficient time would be given to considering options around tendering at the appropriate time.

RESOLVED: That

- (1) the updates to the Strategic Risk Register since the last iteration, with particular emphasis on those risks categorised as 'red', be noted; and
- (2) the inclusion of the 'introduction of voter identification for the next election' as a 'red' risk be noted.

**AU 22/42 STATEMENT OF ACCOUNTS 2021/22 AND EXTERNAL AUDITORS
REPORT ON THE OUTCOME OF THE AUDIT OF THE ACCOUNTS**

The report presented the current set of Accounts for 2021/22 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Committee was invited to approve both the Statement of Accounts and the Audit Findings Report.

Members were reminded that the Statement of Accounts was subject to external audit. At the time of writing, other than a small number of textual corrections, two changes had been made to the accounts as a result of the audit and related to the expansion of the financial disclosure notes covering investments and a critical judgement added covering the de-minimus valuation of non-fee charging car parks in the borough. With regard to the latter it was explained that this valuation was in line with current guidance and methodology in respect of car parks.

The Audit Findings Report gave three recommendations for the Borough Council as a result of issues identified during the audit. These related to the mapping of the trial balance to financial statements, journal authorisation and the fixed asset register. More detail was provided in 1.4.4 of the report together with the proposed management response.

RESOLVED: That

- (1) the enclosed audited set of Accounts for 2021/22 (attached at Annex 1) be approved and the Chair of the Audit Committee be asked to sign the Accounts in the appropriate place;
- (2) the Audit Findings Report and the Management Response, as detailed in paragraph 1.4.4 of the report, on the outcome of the audit of the Statement of Accounts for 2021/22 be approved; and
- (3) the Letter of Representation (attached at Annex 3) be approved for signature by the Chair of the Audit Committee and the Director of Finance and Transformation once Grant Thornton had issued their opinion.

MATTERS SUBMITTED FOR INFORMATION**AU 22/43 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report provided an update on the work of both the Internal Audit and the Counter Fraud functions for the period April to August 2022.

RESOLVED: That the report be noted.

AU 22/44 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.50 pm
(having commenced at 8.10 pm)

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 AUDITOR'S ANNUAL REPORT

Our external auditors (Grant Thornton UK LLP) are required to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report on the same to those charged with governance - which for this purpose is the Audit Committee – followed by Cabinet and Full Council.

1.1 Introduction

- 1.1.1 The auditor is required to report on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- 1.1.2 Auditors are required to report their commentary on the Authority's arrangements under specified criteria. The criteria are financial sustainability, governance and improving economy, efficiency and effectiveness.

1.2 Auditor's Annual Report

- 1.2.1 A copy of the Auditors Annual Report is attached at **[Annex 1]**. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.
- 1.2.2 No significant weaknesses in arrangements were identified, but a number of improvement recommendations are made. For ease of reference the improvement recommendations made under each criteria and the management comment (*italics*) are set out below.

Financial sustainability

- 1.2.3 No improvement recommendations made under this criteria.

Governance

1.2.4 Consideration should be given to the following improvements to the risk management process:

- Consider providing additional information within the Strategic Risk Register, including direction of travel, sources of risk and assurance, and dates of last and next review.

Consideration to be given to providing additional information in the Strategic Risk Register from April 2023.

- Develop a training module for all staff to raise awareness of risk across the organisation.

Appropriate training for staff in order to raise awareness of risk across the organisation to be considered after the May 2023 election.

Improving economy, efficiency and effectiveness

1.2.5 The Council should consider the following improvements to its performance management framework:

- Report a suite of key performance indicators to Cabinet every six months.

Management Team in liaison with Cabinet to consider how this might best be achieved.

- Re-introduce the benchmarking practices used pre-pandemic to see how other councils provide services, with a view to introducing best practice and value for money.

Benchmarking can be resource intensive, that is not to say benchmarking is not a useful tool, adding insight and value when used in the right context and will continue to look for opportunities to benchmark where and when it is determined it will be beneficial to do so when undertaking a review of a specific service area(s).

- The Procurement Strategy should be refreshed, informed by the National Procurement Strategy toolkit.

The nature, scale and size of procurement activity is relatively constant year on year. However, do acknowledge the need to revisit the Strategy when other more pressing priorities and work pressures allow and in recognition of the new procurement regime due to be implemented in 2023.

1.3 Legal Implications

- 1.3.1 The Council's external auditor is required under s20(1)c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 1.3.2 The Code of Audit Practice issued by the National Audit Office in 2020 requires us (Grant Thornton UK LLP) to report to you our commentary relating to proper arrangements.

1.4 Financial and Value for Money Considerations

As set out in the Auditor's Annual Report.

1.5 Risk Assessment

- 1.5.1 As set out in the Auditor's Annual Report.

1.6 Equality Impact Assessment

- 1.6.1 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.

1.7 Policy Considerations

- 1.7.1 Business Continuity/Resilience

1.8 Recommendations

- 1.8.1 Members are **RECOMMENDED** to:

- 1) Approve the Auditor's Annual Report **[Annex 1]** for 2021/22.
- 2) Note and endorse the management comments to the improvement recommendations made.

Background papers:

Nil

contact: Paul Worden
Neil Lawley

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

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Auditor's Annual Report on Tonbridge & Malling Borough Council

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For the period 2021-22

December 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

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 required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. 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. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2020-21 Auditor judgment	2021-22 Auditor judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements or improvement recommendation made.	↑
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔

- Dark Purple Significant weaknesses in arrangements identified and key recommendations made
- Blue No significant weaknesses in arrangements identified, improvement recommendations made
- Light Purple No significant weaknesses identified or improvement recommendations made

Executive summary

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Financial sustainability

Despite the ongoing uncertainty in local government funding, the Council has managed to return favourable financial results. We are now reaching a time when the additional challenges of the current financial environment will need difficult decisions to be made if this position is to be maintained. We believe the Council has the tools to deliver financial sustainability and we have not identified any risks of significant weakness in respect of the Council's arrangements for financial sustainability. Our findings are set out in further detail on pages 7 to 9.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council. Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. Our findings are set out in further detail on pages 10-13.



Improving economy, efficiency and effectiveness

Tonbridge and Malling Borough Council has in place a robust framework to ensure effective delivery of services and priorities. We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. Our findings are set out in further detail on pages 14-16.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether the accounts: present a true and fair view of the Council's financial position; and have been prepared in accordance with the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2021-22.

We have completed our audit of your 2021-22 financial statements and issued an unqualified audit opinion on 29 September 2022, following the Audit Committee meeting on 26 September 2022. Our findings are set out in further detail on page 19.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue any statutory recommendations in 2021-22.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest report in 2021-22.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any application to the Court in 2021-22.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure;
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notice in 2021-22.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for any judicial review in 2021-22.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 16. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them into its plans

The Covid-19 pandemic has been the largest peace-time emergency seen in this country since WWII. The knock-on effects to local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both council tax and business rates. There has also been a loss of commercial income in such areas as commercial rents. While Government grants have covered part of the general shortfall, councils have been dealing with increased financial uncertainty. During 2021-22 we moved out of the cycle of lockdowns and other restrictions, and the after effects of the pandemic continue to make finances challenging for local authorities.

2021-22 brought another one-year settlement from Government making it difficult to undertake any longer term planning with any certainty. When setting the 2021-22 budget in February 2021 the Council identified a budget gap over the five years of the Medium Term Financial Strategy (MTFS) of £0.475m, increasing to £2.35m upon review in February 2022. If savings and additional income are not identified to address the budget gap it will need to be covered through use of General Fund reserves.

For council tax the Council currently assumes a £5 per annum increase, or 2.3% for Band D properties. This is typically achieved and in line with other similar councils, and therefore not unreasonable. Furthermore, a return to business rate pooling, using the existing baseline, will enable the Council to retain a share in the proceeds of business rates growth.

The Council has a Savings & Transformation Strategy which is reported alongside the MTFS. The actual net spend for 2021-22 of £14.96m was £2.14m less than the original budget set by the Council in February 2021. Whilst this was due in part to receiving additional Covid funding from Central Government, with an element of savings included. In planning the 2022-23 budget a budget gap of £2m over the next three years was identified. Officers and Members are aware there cannot be a reliance on use of reserves to fund budget deficits going forward, and after the May 2023 elections some difficult decisions about continuation of some discretionary services will need to be made. Assumptions used in setting the budget are clearly stated in budget papers and appear reasonable.

The final 2021-22 outturn for the General Fund was a small underspend which allowed larger than expected contributions to be made to reserves. This is good performance given the income losses incurred by the Council, and is due in part to receipt of significant levels of Government grants but also due to strong budgetary control. This outcome will have positive benefits for the Council's financial resilience in 2022-23 and beyond. A balanced budget was set for 2022-23 in February 2022 however it does expect a reliance on reserves and achievement of savings.

The future financing of local government is still unclear. A planned Government long term spending review was postponed from 2020, due to the pandemic, and the current local government settlement only covers the 2022-23 financial year. The date of the long term review, whilst announced in the October 2021 budget statement, is yet to be confirmed.

Financial sustainability

Whilst longer term planning is problematic with a high level of uncertainty over future Government funding, the Council appropriately plans over the medium term and has a MTFS over a ten-year period from 2021-22. Given the uncertainty of the financial regime, the Council's plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as council tax, business rates and the Government funding settlement. Lack of information on future funding is a national issue but we have seen pre-pandemic that the Council has a sensible approach to financial planning and budget management.

Financial plans are discussed at Council, Cabinet and Finance Innovation & Property Advisory Board (FIP) – replaced by Finance, Regeneration & Property Scrutiny Committee from May 2022. The Council has a history of transparency in financial matters, however financial plans are not discussed with wider stakeholders through an annual consultation exercise, we are informed this has happened in the past but there are no plans at present to reinstate this process.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council prepares a Savings & Transformation Strategy, the purpose of which is to provide structure, focus and direction in addressing the financial challenges faced by the Council. The Strategy was reviewed during 2021-22 to reflect changes in financial circumstances. The revised Strategy identified that over the next four years a total of £2.14m will need to be delivered in savings or transformation contributions. A challenging target.

The final annual budget is approved by Council each February. Savings delivery is monitored at Cabinet as part of the regular MTFS report, the last update being provided to Cabinet in November 2022. The Council has a history of delivering on savings and to budget.

As part of the 2021-22 budget setting process budgets were reviewed and changes made to adjust for pressures, new initiatives, expected cost increases and income changes. The Council has a healthy reserves position (£36m of usable reserves at 31 March 2022). Plans to use reserves to fund budget deficits in the short term to fund budget deficits is not of immediate concern but must be monitored closely.

The Council has been prudent in its funding assumptions and setting of the council tax base, with the expectation that Collection Fund balances will be better than planned which will reduce the need to draw on reserves.

While savings potential has been affected by the effects of the pandemic, the Council has a history of successful savings delivery. In 2021-22 savings of £0.365m were delivered against a target of £0.1m. The Savings & Transformation Strategy sets out the plan for the Council to deliver savings in 4 tranches: tranche 1 £0.35m to be delivered by April 2023; tranche 2 £0.5m to be delivered by April 2024; tranche 3 £0.65m to be delivered by April 2025; and tranche 4 £0.65m to be delivered by April 2028. Another £0.2m relates to initiatives already built into the MTFS.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We found a robust financial planning process in place which ties in with the Council's corporate objectives. There is extensive internal consultation to ensure the annual budget meets the needs of the services provided, ensuring that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies. The Workforce Strategy, last updated in 2022, ties in with corporate plans and the budget.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, and clearly defined responsibilities for budget management. Corporate Management and Members challenge performance, holding budget holders to account, and making decisive interventions where and when necessary. The finance team is well-established with significant experience of managing the Council's finances. We feel the Council has a positive financial culture and an appropriate 'tone from the top' set by the Chief Executive – the ongoing management of the Council's financial position over recent years is evidence of this. In challenging times it will be vitally important the strong financial culture of the Council is maintained.

Budget holders receive monthly budget reports. The onus is on budget holders to flag issues with finance rather than regular meetings being held. Any variances of £5k and above must be reported to the Director of Finance and Transformation. Finance carries out independent review of significant elements of the budget such as salaries and income to maintain oversight of the financial position.

The understanding of drivers of risk in the budget is strong, and variances from budget are understood. However, there remain fluctuations in variances to budget which may indicate further work is required, either to arrive at more accurate assumptions / a better understanding of cost pressures, or to ensure budgetary adherence is improved by budget holders. Some variance will be inevitable due to the demand-led nature of some services. The Covid-19 pandemic has made it more difficult to predict future costs and demand as the Council has experienced a 'difficult-to-predict-and-plan-for' year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical for there to be effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable/unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead.

Financial sustainability

The Council has a Capital Plan and has adopted a Capital Strategy and capital planning process which are regularly reviewed to reflect changing circumstances. In addition to funding for the replacement of assets which deliver services and recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual capital allowance. Priority is given to those schemes that generate income or reduce costs. The annual capital allowance is currently set at £0.25m. The capital programme largely consists of maintenance and improvement items and contains no major schemes. The capital programme is overseen by Cabinet, while projects are subject to a detailed appraisal and approval process.

The current Corporate Strategy covers the period 2020-2023 with the following areas of focus:

- Achieving efficiency
- Embracing effective partnership working and funding
- Valuing our environment and encouraging sustainable growth
- Innovation

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How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

In the June 2002 update of the Workforce Strategy, the strategy was reviewed to reflect the demands of the 'new normal'. As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable Council services is clear.

A Treasury Management & Annual Investment Strategy and Capital Plan are in place. The Treasury Management & Annual Investment Strategy is produced with assistance from external advisors Link Asset Services, to ensure risk is managed. The Treasury Management & Annual Investment Strategy is approved at Council annually. There is an appropriate balance between mitigating risk and optimising opportunities, and the Council has set out the appropriate level of reserves to maintain, as well as the opportunity cost of holding reserves.

The budget process is managed by the finance team who ensure nothing is done 'in silo', factoring in all possible impacts on other areas. Due to the size of the Council the management team contained and there is nothing which could be done without the leadership having awareness. There is evidence that services collaborate and appear to understand the wider position of the Council as a whole, and not just their own departments. The budget has been balanced over recent years, demonstrating how each departments work towards the Council's targets as a collective. We understand that underspent budgets are redeployed, which would suggest services do not spend their budgets simply to protect future allocations.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

2021-22 has continued to bring financial management challenges of dealing with the pandemic, including the ongoing changing profile of demands on Council services.

Within its Corporate Risk Register the Council has identified the risk of not balancing the budget – it is noted that the latest Strategic Risk Register indicates this as a 'red' risk. Ways in which the Council is managing this risk include the regular budget monitoring and scrutiny, the Savings & Transformation Strategy, the MTFS and use of reserves. A list of financial risks is included in budget papers sent to Members when setting the Council's annual budget.

Any changes in Government policy/funding are reflected in financial plans as soon as the Council becomes aware of them. Should the Government cut funding for a specific service, the Head of Service would need to review the service to identify how that funding could be replaced, or the service reduced accordingly. The budget risk process is a managed process, ensuring no surprises. Links within the Council to CIPFA also ensure knowledge on local government financial matters are up to date. The Council does not receive any 'special' funding from Central Government, all funding is consistent across councils of its type, therefore a change to funding will also impact all similar councils.

As the Council emerges from the pandemic, and the 'new normal' is established – crucially, a normal which once again comes with financial constraints – the Council should assess what Covid working patterns and service arrangements should continue in the post-pandemic world. Our work indicates the Council will face growing financial challenges in future years and we will monitor the Council's response in those years.

We found no evidence or indication of significant risks to your financial sustainability. As such, no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates, and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes, and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth. Robust risk management, along with good governance and strong financial management form cornerstones of effective internal control.

The Annual Governance Statement for 2021-22 notes “Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council’s vision and objectives. This ensures that risks to the achievement of the Council’s objectives are identified and managed appropriately. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers and a risk management escalation process in place. The framework sets out the responsibility of officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council”.

The Council’s risk management processes were reviewed by Internal Audit in July 2021, with ‘adequate’ assurance provided. The report recommended, inter alia, that management should review the Strategic Risk Register prior to its submission to Audit Committee, that risk management training should be organised for all levels of staff on risk management, and risk registers should be updated in real time. These matters have been subsequently addressed, apart from risk management training which has been held over until after the elections in May 2023.

Based on our review of your risk management processes we also see scope for small improvements in risk management processes. The Risk Management Policy was approved in January 2021 and there is separate guidance to staff on the risk management process. Roles and responsibilities are clearly defined and the guidance describes the process for identifying, assessing, evaluating, escalating, allocating and monitoring risk.

The Council’s Strategic Risk Register is reported regularly to the Audit Committee and Cabinet. It was last reported to Audit Committee in September 2022. The Strategic Risk Register contains 19 risks which is close to our expected range of risk (5 to 15 risks) to allow adequate review of those threats to Council objectives. Risks are scored and the risk register contains six ‘red’ risks relating to finance, elections, Brexit, the Local Plan, and the waste/recycling contract.

The risk register format is clear showing current and target risk scores, lead officers, consequences, current mitigations and actions required. The Strategic Risk Register does not document a number of potential factors including direction of travel, sources of risk and assurance, and dates of last next review – refer to Improvement Recommendation 1 (page 13).

Governance

The Council should consider developing the information provided to Members and Senior Management regarding risk and this can be linked to the three lines of defence model advocated by the Institute of Internal Auditors. This model provides a framework for internal control with the first line of defence being management, the second line of defence being those involved in risk management and compliance, and the third line being internal audit.

We understand Members and officers have received training on risk in the past. The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, in tandem with the new Risk Management Policy – refer to Improvement Recommendation 1 (page 13). This would provide greater clarity of the relationship between all the risk registers used across the Council, covering strategic, operational, project and partnership risk. All these areas should align wherever they are reported to ensure that there is a clear golden thread of risks that runs up and down the organisation.

The Internal Audit Service was transferred completely to Kent County Council from 1 October 2021 – internal audit was previously provided in-house. Since May 2015, the Fraud Manager, Audit & Assurance Manager and Chief Audit Executive posts had been secured by way of a shared management arrangement with Kent County Council with the rest of the internal audit team being in-house. These officers transferred under TUPE to Kent County Council from October 2021. From review of reports and Audit Committee papers there looks to be an adequate and effective internal audit service in place that challenges management and provides appropriate recommendations for improvement to the Council. The Audit Committee receives regular updates on the annual internal audit programme progress and key findings of reports issued. Internal audit issued one ‘no assurance’ report during 2021-22 in relation to GDPR and document retention.

The Audit Committee is required to consider the effectiveness of internal audit on an annual basis. This review is based upon evidence produced and the view of the management team. A report was submitted to the Audit Committee in July 2021 reporting that management’s opinion on the effectiveness of internal audit was ‘good’. Members considered the findings of this review and endorsed the opinion that the effectiveness of internal audit was ‘good’. The Public Sector Internal Audit Standards (PSIAS) require an independent external quality assessment (EQA) to be undertaken at least every five years. At its meeting in July 2021 the Audit Committee received a report on the outcome of the EQA undertaken in February and March 2021, together with the improvement plan developed in response to the recommendations raised in the assessment. The Head of Audit opinion statement for 2021-22 states *“In my capacity as the Chief Audit Executive, with responsibility for the provision of Internal Audit services to the Council, it is my opinion that Tonbridge and Malling Borough Council’s framework of governance, risk management and control adequately contributed to the proper, economic, efficient and effective use of resources in achieving the Council’s objectives during 2021-22”*.

Counter fraud services are also provided by Kent County Council. The Counter Fraud Team assisted the Council’s participation in all of the Government-led counter fraud initiatives and undertook pro-active exercises designed to protect valuable council tax and business rate

revenue collection. Counter fraud operations are underpinned by a Member and Officer Code of Conduct (both updated in 2022) and a Whistleblowing Policy (dated 2022). The Anti-Fraud, Bribery & Corruption Policy was last updated in January 2022.

The annual work plans for internal audit are currently approved and overseen by the Audit Committee. From our attendance at Audit Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

How the body approaches and carries out its annual budget setting process

The Government’s financial landscape has made this a unique year for local government financial planning. As detailed in the ‘Financial sustainability’ section the Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, the Council’s MTFS is based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system, notwithstanding the factors that are outside the Council’s control. We understand that the MTFS is a living document, constantly updated following discussions across the Council and new information provided by Government.

Budgets are discussed with budget holders, senior leadership and Members prior to approval at Council level. The budget process starts in August with a finance review of staffing. Budget working papers are circulated to budget holders in September and work their way to the management team for approval in November. When the settlement is received in December required adjustments are made and the budget goes to Members through January and February going through Cabinet to Council for approval. Investments and borrowings are included within the financial plan, but the effects were minimal given the rates of return on investments during 2021-22.

How the body ensures effective processes and systems are in place to ensure budgetary control

During 2021-22 the budget is reviewed quarterly by FIP. The accompanying reports and information supporting the budget identify issues which will impact the expected outturn as and when they arise, including reasons for variances. There is good analysis of risks posed to the achievement of the budget within these reports. Forecasts are subject to a high level of challenge and scrutiny from FIP. The budget monitoring report analyses individual service trends and extrapolates the impact on the outturn position. As part of budget monitoring and control arrangements officers confirm monthly that budgetary control has been undertaken within their service areas, and at the same time highlight any areas they wish to bring to the attention of the Director of Finance and Transformation. In addition, the accountancy section monitors budgetary performance across the whole range of services during the year.

Governance

The financial measurement and tracking carried out by the Council is very much about the data available, factoring time pressures given demands of Government reporting requirements and the lack of clarity around financial planning currently. None of this is an indication of a significant weakness – this is a district council with no major investments, no significant capital plans and no unique challenges. Its remit is to provide services to residents and stay financially viable. We consider the Council's budget management arrangements to be robust and have found no areas of concern during our work.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

From document review and discussions with staff, we believe the Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made. It is evident that sufficient information is provided to Members and they are able to challenge and hold Senior Management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious or pervasive weaknesses in the Council's financial accounts processes which would give rise to material errors in draft financial statements, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

A new Leader of the Council was recently designated following the stepping down of the previous incumbent in July 2021 after many years in the role. We have no concerns in relation to risks related to high turnover of Members which can lead to inadequate understanding of the organisation and poor decision-making. The importance of maintaining a strong financial culture is vital and this seems to be the case for the Council.

Financial and operational activity is well-planned with no need for reactive actions or short term remedies. Even during the height of the pandemic the Council's responses were deliberate and well thought-out.

The waste and recycling contract is highlighted as a 'red risk' on the Corporate Risk Register. A new contractor (Urbaser) was appointed in March 2019, jointly with Tunbridge Wells Borough Council, and new service delivery arrangements commenced in September 2019. The risk register states that contract performance has been unsatisfactory in terms of missed collections and uncompleted rounds. The service was affected by the pandemic and the national shortage of HGV drivers. It was agreed with the contractor to suspend garden waste collections for a period to allow for focus to improve the recycling and general waste collection service. This has also had a knock-on effect on the street cleansing service. The update to the Community and Environment Scrutiny Select Committee in October 2022 indicated there had been improvement in services with completion of scheduled collections improving from 84.3% in the period April to August 2021 to 96.3% for April to August 2022 and complaints falling from 503 to 148 over the same periods.

In late 2020 the Planning Inspector made a preliminary decision that there had been a failure of the Duty to Cooperate on the part of the Council with its Local Plan. The Council objected and wrote to the Inspector in January 2021. Despite the Council's arguments to the contrary, the Inspector's response subsequently confirmed their initial decision and invited the Council to either withdraw the Local Plan or request a Final Report from the Inspectors. The Council responded inviting them to prepare their Final Report. The Inspector's Final Report with a covering note from the Planning Inspectorate were duly issued the report sets out the Inspector's justification for reaching the conclusion that there was a failure of the Duty to Cooperate in respect of unmet housing need in Sevenoaks.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

The Council has Codes of Conduct for both officers and Members. The Members' Code is founded upon Nolan Principles of public life and was reviewed on a Kent-wide basis in 2021-22, with the Council adopting the amended Kent Members' Code in April 2022. The Members' Code is enforced, where necessary, through the Council's Joint Standard Committee. The Officer's Code is enforced, where necessary, through disciplinary procedures.

Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and senior officers for their completion. There is a Member protocol on gifts benefits and hospitality. The gifts and hospitality register is retained by the Monitoring Officer and is available for inspection on request. Officers are advised on the rules relating to gifts and hospitality and registering of interests but there is no register of gifts and hospitality for officers or a formal annual declaration of interests. While we found no evidence of adverse outcomes of interests, gifts or hospitality not being declared, the Council may wish to introduce these measures in the interests of transparency.

We found no evidence or indication of significant risks to your governance arrangements. As such, no further risk-based work has been undertaken in this area.

Improvement recommendation



Governance

Recommendation 1

Consideration should be given to the following improvements to the risk management process:

- a) Consider providing additional information within the Strategic Risk Register, including direction of travel, sources of risk and assurance, and dates of last and next review.
- b) Develop a training module for all staff to raise awareness of risk across the organisation.

Why/Impact

Further development of risk management techniques will help embed management of risk in the organisation leading to better decision-making.

Auditor judgement

While robust risk management processes are in place, some small enhancements are possible to reflect best practice.

Summary findings

The Strategic Risk Register format is clear showing current and target risk score, lead officer, consequences, current mitigations and actions required. The risk register does not document a number of potential factors which would be in line with best practice.

The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff, in tandem with the new Risk Management Policy. This would provide greater clarity of the relationship between all the risk registers used across the Council.

Management comments

- a) Consideration to be given to providing additional information in the Strategic Risk Register from April 2023.
- b) Appropriate training for staff in order to raise awareness of risk across the organisation to be considered after the May 2023 election.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

Local government will face yet more challenge as it moves from the Covid response stage to the task of supporting long term economic and social recovery along with the cost-of-living crisis and significant levels of inflation.

Since we reported last year on a lack of a suite of performance measures reported to Members, such a set has been developed and is reported quarterly across the scrutiny select committees as is relevant to their remit. While we understand the publication of all committee agendas and minutes are distributed to all members allowing them to assess the impacts of the key performance indicators (KPIs), we would still like to see a summary of KPIs regularly reported formally to Cabinet to give a holistic review of performance across the Council – refer to Improvement Recommendation 2 (page 16).

The Council has a Data Quality Policy, last reviewed in September 2020. The Policy sets out the Council's data quality standards, roles and responsibilities for data quality and the Council's expectations in regard to system and processes.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Strategy is used by officers to deliver services and to inform their recommendations to service

committees. Councillors use the Corporate Strategy to inform their decisions also. The current Strategy runs until 2023. In June 2020 Cabinet agreed an addendum to the Corporate Strategy to provide a strategic framework for the Council's Covid recovery plan, underpinned by three themes of Review, Re-orientation and Recovery. A further 12-month addendum was adopted in July 2021.

Benchmarking has been used to assess performance in the past but with focus on dealing with the pandemic over the last two years understandably resources have not been available to focus on service improvement. In 2021-22 initial focus on reinstating a system for performance management has been to embed a set of performance indicators and we understand the introduction of wider benchmarking is envisaged as a later stage in the process. We would suggest, especially given the need for significant efficiencies in the medium term, a return to understanding how other councils provide services, with a view to introducing best practice and providing value for money – refer to Improvement Recommendation 2 (page 16).

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

Partnerships, and in particular shared services, have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as refuse collection, building control and internal audit. The Council is flexible in its

Improving economy, efficiency and effectiveness

approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. The Council's leisure facilities are run by the Tonbridge and Malling Leisure Trust. The Council also works with other agencies to co-ordinate and improve services and value for money.

The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this. We are not aware of any significant financial loss or failure to deliver expected efficiency/performance improvements through our review of the Council's significant partnerships.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

Procurement supports services across the Council, delivering front line and back-office services. The Council has a Procurement Strategy, last approved in 2017. The Strategy covers partnering, e-procurement, procurement with small to medium size enterprises and the voluntary sector, and sustainable procurement. Given recent events, the adoption of a revised Corporate Strategy in 2020, and the introduction of the National Procurement Strategy for Local Government in England in 2018, we feel the document is in need of review – refer to Improvement Recommendation 2 (page 16). It should be noted that the National Procurement Strategy provides a toolkit for the Council to assess its progress against the themes and objectives within the Strategy which would be useful to consider when updating the document.

The Council has a legal duty to secure value for money in commissioning and procuring its requirements, and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements, in conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Procedure Rules).

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements. As such, no further risk-based work has been undertaken in this area.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation 2

The Council should consider the following improvements to its performance management framework:

- Report a suite of key performance indicators to Cabinet every six months.
- Re-introduce the benchmarking practices used pre-pandemic to see how other councils provide services, with a view to introducing best practice and providing value for money.
- The Procurement Strategy should be refreshed, informed by the National Procurement Strategy toolkit.

Why/Impact

The Council needs to identify efficiencies in the medium term to form a realistic savings plan.

Auditor judgement

Further embedding performance review across the organisation will help to ensure efficient and effective use of resources and the delivery of corporate objectives.

Summary findings

The Council has developed a set of KPIs but do not report a KPI summary regularly to Cabinet. Benchmarking service delivery has not taken place since pre-pandemic. The Procurement Strategy was last updated in 2017.

Management comments

- Management Team in liaison with Cabinet to consider how this might best be achieved.*
- Benchmarking can be resource intensive, that is not to say benchmarking is not a useful tool, adding insight and value when used in the right context and will continue to look for opportunities to benchmark where and when it is determined it will be beneficial to do so when undertaking a review of a specific service area(s).*
- The nature, scale and size of procurement activity is relatively constant year on year. However, do acknowledge the need to revisit the Strategy when other more pressing priorities and work pressures allow and in recognition of the new procurement regime due to be implemented in 2023.*



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date – management comment	Addressed?	Further action required?
1	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	December 2021	Work is still ongoing and is a subject matter for the Overview and Scrutiny Work programme.	No	Yes
Page 35	Consideration should be given to completing an annual public consultation exercise when preparing the budget.	Improvement	December 2021	This is still under review.	No	Yes
	The Human Resources Strategy should be updated to tie in to the latest corporate plan and budget as well undertaking a workforce review.	Improvement	December 2021	Our Corporate Strategy has been redrafted and is about to go out for Public Consultation in the next few weeks, once it has been approved greater links to this document will be made via other strategies such as the Workforce Strategy which is also currently under review.	No	Yes
4	A risk training programme should be implemented for all staff levels based on the new risk management policy	Improvement	December 2021	The Council's Risk Management Strategy is published annually to staff via a system called NetConstant this requires officers to enter their password to acknowledge that they have read the policy document, at present no other training has been given due to other pressures. A further improvement recommendation has been raised.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 1b.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should formally identify their key performance indicators and develop a system of monitoring performance and annual reporting against this suite.	Improvement	December 2021	A suite of performance indicators is now in place and reported quarterly to relevant scrutiny committees. There is no formal reporting of key performance indicators to Cabinet.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2a.
6	The Council should re-introduce the benchmarking practices used pre-pandemic looking to see how other councils provide services with a view to introducing best practice and providing value for money.	Improvement	December 2021	This is still under review.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2b.
7	Consideration should be given reviewing and updating the Procurement Strategy.	Improvement	December 2021	This is still under review.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2c.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Council's financial statements on 29 September 2022.

Other opinion/key findings

We had no significant unadjusted findings in relation to the other information produced by the Council, including the Narrative Report or Annual Governance Statement.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 September 2022.

Issues arising from the accounts:

All adjusted misstatements identified for the Council's 2021-22 financial statements are disclosed in the 2021-22 AFR, Appendix C. There were no unadjusted misstatements.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers continue to be of a good standard.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the required threshold set for WGA procedures.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair;
- Prepared in accordance with relevant accounting standards; and
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by Government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. We identified no such risks.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 13 and 16

Appendix D – Sources of evidence



Staff involved

- Julie Beilby – Chief Executive
- Sharon Shelton – Director of Finance and Transformation
- Neil Lawley – Chief Financial Services Officer
- Paul Worden – Financial Services Manager
- Jeremy Whitaker – Economic Regeneration Manager



Key Documents Reviewed

- Annual Governance Statement
- Annual Head of Internal Audit opinion
- Anti-Fraud, Bribery & Corruption Policy
- Capital Plan & Strategy
- Corporate Plan
- Council's Constitution
- Corporate Risk Register
- Data Quality Policy
- Internal Audit Plan
- Local Code of Corporate Governance
- Medium Term Financial Strategy
- Member Code of Conduct
- Officer Code of Conduct
- Procurement Strategy
- Review of effectiveness of Internal Audit
- Risk Management Policy
- Savings & Transformation Strategy
- Strategic Risk Register
- Treasury Management & Annual Investment Strategy
- Whistleblowing Policy
- Workforce Strategy
- Audit Committee Papers
- Cabinet papers

Appendix E – Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report:

AGS	Annual Governance Statement
CIPFA	Chartered Institute of Public Finance & Accounts
EQA	External Quality Assessment
FIP	Finance, Innovation & Property Advisory Board (replaced in May 2022 by Finance, Regeneration & Property Scrutiny Select Committee)
ICT	Information & Communications Technology
KPI	Key Performance Indicator
MTFS	Medium term Financial Strategy
NAO	National Audit Office
NNDR	National Non-Domestic Rates
PSIAS	Public Sector Internal Audit Standards



TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend to Cabinet its adoption by Full Council.

The report also provides 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.

1.2 Review of the Risk Management Strategy

1.2.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy and accompanying Guidance is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

- 1.2.2 This latest review of the Risk Management Strategy and the accompanying Risk Management Guidance found that no changes were required at this time.
- 1.2.3 A copy of the Risk Management Strategy and accompanying Risk Management Guidance is attached at **[Annex 1]** and **[Annex 2]** respectively.

1.3 Risk Management Escalation Process

- 1.3.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.3.2 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.
- 1.3.3 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.

1.4 Strategic Risk Register

- 1.4.1 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 3]**.
- 1.4.2 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** and, in some cases, exacerbated by high inflation and the conflict in Ukraine.
- 1.4.3 For completeness the risks categorised as **RED** at the time of the September meeting is given below and these remain red.
 - 1) **Financial position/budget deficit**
 - 2) **Economic Uncertainty and Impact of EU Transition (severely impacted by Coronavirus Pandemic and Inflation/ Conflict in Ukraine)**

- 3) Corporate Strategy and Savings and Transformation Strategy
- 4) Waste Services
- 5) Local Plan
- 6) Organisational Development including recruitment and retention/skills mix
- 7) Introduction of voter identification for the next election

1.4.4 Two additional risks have been added to the register since the last review in September. Firstly the implementation of the Agile software system covering Planning, Housing, Environmental Health and the second being the re-introduction of Election to the register in light of the Borough and Parish Elections taking place in May 2023. The implementation of Agile has been identified as red risk due to the potential costs of renewing the existing software in the event of a delayed start date.

1.4.5 On the September publication of the Register Homes for Ukraine was considered to be an amber risk but was left unscored. The revised scoring undertaken now places this as a red risk due to the lack of larger privately rented accommodation available in the event of larger household placements breaking down.

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

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

1.5.1 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.

1.5.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in September is appended at **[Annex 4]**.

1.6 Legal Implications

1.6.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.6.2 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.

1.7 Financial and Value for Money Considerations

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

1.8 Risk Assessment

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.

1.9 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 Policy Considerations

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

1.11 Recommendations

- 1.11.1 Members are asked to:

- 1) **REVIEW** the Risk Management Strategy and accompanying Risk Management Guidance and, subject to any amendments required, **RECOMMEND** to Cabinet its adoption by Full Council.
- 2) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as **RED**.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

RISK MANAGEMENT STRATEGY



January 2023

1. Introduction

- 1.1. The risk management strategy of Tonbridge and Malling Borough Council (the Council) is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended 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.
- 1.2. 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.

2. Mandate and commitment

- 2.1. This strategy is supported and endorsed by the Management Team and Members of the Audit Committee who will ensure that:
 - The risk management objectives are aligned with the objectives and strategies of the Council
 - The Council's culture and risk management strategy are aligned
 - The necessary resources are allocated to risk management
 - There is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making
 - The framework for managing risk continues to remain appropriate

3. Applicability

- 3.1. This strategy applies to the whole of the Council's core functions. Where the Council enters into partnerships the principles of risk management established by this strategy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established and monitored through procurement processes and contract management arrangements.

4. Objectives

- 4.1. The risk management objectives of the Council are to:
 - Embed risk management into the culture of the Council
 - Apply best practice to manage risk using a balanced, practical and effective approach
 - Manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively

- Integrate the identification and management of risk into policy and operational decisions, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives
- Eliminate or reduce the impact, disruption and loss from current and emerging events
- Harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes
- Ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities
- Ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements
- Benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity
- Ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust, ensuring clear effective lines of communication and the management of relationships.

4.2. The delivery of this strategy is the collective responsibility of officers, Service Management Teams, Management Team, the Council's partners and Members, with delivery being assured by the Management Team.

5. Roles and responsibilities

- 5.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. Managers and staff that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified, see table at 5.3 below.
- 5.2. Other officer groups' deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud, bribery and corruption, etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.
- 5.3. In order to support Members and Officers with their responsibilities, risk management guidance is available.

Group or Individual	Responsibilities
Full Council / Cabinet	Approval of the Risk Management Strategy will be witnessed by the signature of the Leader of the Council.
Audit Committee	The Chairman of the Audit Committee will take a lead role in promoting the application of sound risk management practices across the Council. Training will be provided periodically for all Audit Committee members.

	<p>The Audit Committee will consider the Risk Management process as part of the assurance evidence in support of any Corporate Governance Statement.</p> <p>The Audit Committee will provide independent assurance of the adequacy of the risk management framework and will monitor the effective development and operation of risk management in the Council.</p>
Committees	<p>Responsibility for considering risk when making decisions on behalf of the Council.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
Advisory Boards	<p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
Chief Executive	<p>Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.</p> <p>Also responsible for counter-signing the Risk Management Strategy.</p>
Section 151 Officer	<p>Active involvement in all material business decisions to ensure immediate and longer term financial implications, opportunities and risks are fully considered.</p>
Management Team (MT)	<p>To ensure the Council manages risks effectively and actively consider, own and manage key strategic risks affecting the Council through the Strategic Risk Register.</p> <p>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p> <p>Delegate the development and delivery of appropriate training to support the implementation of this policy for Members and Officers.</p>
Service Management Teams (SMT)	<p>Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Management Team as appropriate.</p> <p>Briefing sessions will be provided on an as and when basis to senior management.</p>
Internal Audit	<p>Assesses the effectiveness of the risk management framework and the control environment in mitigating risk.</p> <p>Review and challenge risk management arrangements through its audit and fraud prevention activities.</p>

All elected Members and staff	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.
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6. Review of this strategy

- 6.1. It is the responsibility of the Audit Committee to: 'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.' Internal Audit will support their role in assuring its effectiveness and adequacy.
- 6.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the strategy and framework at least annually. Any changes will be presented to the Audit Committee for approval before publication. The Strategy was last reviewed in January 2023 and will be reviewed next in January 2024.

7. Approval

Signed: 

Print Name: Matt Boughton

Date: 21 February 2023

Position: Leader of the Council

Signed: 

Print Name: Julie Beilby

Date: 21 February 2023

Position: Chief Executive

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TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

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TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

1. Introduction

- 1.1. Tonbridge and Malling Borough Council (the Council) has an approved Risk Management Strategy (the Strategy) and this guidance should be read in conjunction with this Strategy. The aim of this guidance is two-fold; to specify how the Council will deliver its objectives as outlined in the Strategy, and provide guidance on how to effectively manage risk.

2. Achieving strategy objectives

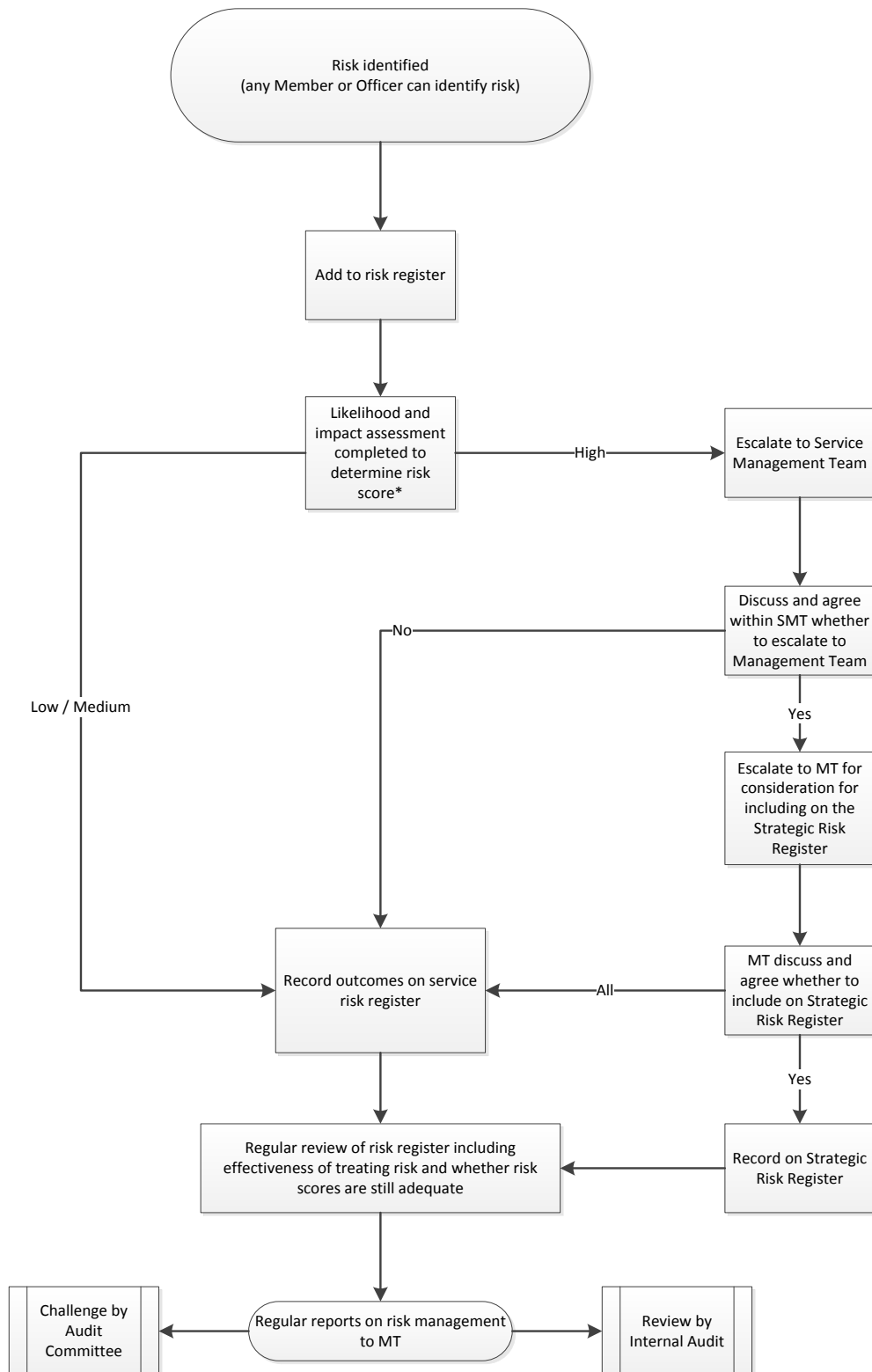
- 2.1. The Council shall achieve its objectives, as outlined in the Strategy, through:
- Integrating effective risk management practices into the Council's management, decision making and planning activities.
 - Maintaining common links between business planning, performance and risk management.
 - Maintaining the frequency and effectiveness of monitoring of key risks.
 - Providing a mix of risk management training, awareness sessions and support for both Members and Officers of the Council.
 - Ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the Council.
 - Subjecting the Council's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
 - Ensuring risk management arrangements are embedded within transformation activity.
 - Providing continuous challenge and quality assurance to all elements of the risk management process.
 - Focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed.
 - Working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.
 - Providing guidance on identifying, assessing, managing and reporting on risk, including escalation of risks.

3. Risk management at a glance

- 3.1. The following process flow visually demonstrates the risk management process.

TONBRIDGE AND MALLING BOROUGH COUNCIL

RISK MANAGEMENT GUIDANCE



* A risk assessment form is available at appendix B which can be used to help this part of the process

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

4. Identifying risks

- 4.1. Risk is something that might happen, which if it materialises will affect us in some way or other. A risk is a combination of 'likelihood' and 'impact', that is; how likely the risk is to happen and if it did how much would it affect us. As soon as a risk is identified it should be recorded on the Risk Register, see Appendix A. This Register should be continually updated to demonstrate assessment, evaluation, treatment and ongoing review.
- 4.2. Before we can evaluate the level of risk associated with an activity we have to determine what is most likely to trigger the risk or initiate its occurrence and assess what the consequences may be if it did occur, i.e. identify the risk event.
- 4.3. Risk assessment looks to determine the key triggers and causes and the likely consequences and impact. Once these are established we can use the assessment to gauge the likelihood of occurrence and impact of the consequences to determine the severity or level of risk.

5. Assessing risks

- 5.1. Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

- 5.2. The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood 🗨️	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact 🗨️			Negligible	Marginal	Significant	Critical

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

- 5.3. Each risk identified and recorded may be broken down into its component parts using a Risk Assessment Form – see Appendix B.
- 5.4. The source/cause, risk event and consequences should be listed, together with any controls or actions and their owners. Such controls and actions are used to mitigate the risk level and should be described in a clear and specific manner to enable stakeholders to gain sufficient understanding of them.
- 5.5. Risk assessments should be used to assess the level of risk associated with the objective and inform the process for refreshing risk registers. In some cases, where the details of risks are clear, key risk information can be entered straight onto risk registers.
- 5.6. Key project and partnership risks should be included within this process as they will have their sources of origin in business objectives.

6. Evaluating risks

- 6.1. From the information collated and recorded when assessing the risk it should be possible to estimate and distinguish how likely the risk is to happen – Almost inevitable, very likely, likely, unlikely, very unlikely, almost impossible. Similarly, from the information collated and recorded it should be possible to distinguish the level of impact the risk would have if the risk occurred now – negligible, marginal, significant or critical.

For example:

- A risk with an “unlikely” likelihood (3) and “critical” impact (4) would equate to a “Medium” risk level with a score of 12 (3 x 4).
 - A risk that is judged to be “likely” (4) and have a “negligible” impact (1) would equate to a “Low” risk level with a score of 4 (4 x 1).
- 6.2. When determining the risk rating, bear in mind that it is not an exact science. Without significant historical data or mathematical prediction it is, for the most part, a subjective but important estimate. Appendix C provides a couple of guides to help you to estimate likelihood and impact.
 - 6.3. For reference, the initial result of an evaluation is known as the ‘inherent risk’, which refers to the exposure arising from a specific risk *before* any action has been taken to manage it. Due to the fact that determining the inherent risk can seem a rather theoretical exercise, there is not a requirement to include this as part of the risk assessment process. The focus is instead on assessing the current level of risk, taking controls in place into account, and setting a realistic target level of risk that you would wish to manage the risk down to.

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

7. Escalating risks

- 7.1. It is not uncommon for risks to have knock-on effects for other activities across a risk perspective or in another risk perspective, for example a risk in one operational (perspective) area may be a source of risk to another; similarly a high level risk in a project perspective may need to be highlighted and considered at a strategic perspective.
- 7.2. It is essential that we understand risks and their potential to have knock-on effects. It is equally important that we set out clear rules for escalation of risks.
- 7.3. 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 (MT) 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 all 'High' risks discussed at SMTs and MT and the outcome of those discussions.
- 7.4. Similarly risks identified as "Medium Risk" may be escalated to the appropriate Service Management 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.
- 7.5. Where 'High' risks are identified in Project and Programme Risk Registers the Project / Programme Manager must check its impact on the relevant division or directorate risk registers.
- 7.6. The target residual rating for a risk is expected to be 'Medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.
- 7.7. There may be rare occasions where a risk is deemed to be well within risk appetite and therefore could be seen as over-controlled. In this instance a target level of risk could be set that is higher than the current level, as long as it remains within risk appetite.

8. Proximity of risk

- 8.1. Some risks identified may pose an immediate risk whereas others may not be a risk for several months or even years. Establishing risk 'proximity' adds an

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RISK MANAGEMENT GUIDANCE

additional dimension especially when planning and prioritising resources to deal with risk actions.

8.2. Proximity may be categorised as follows:

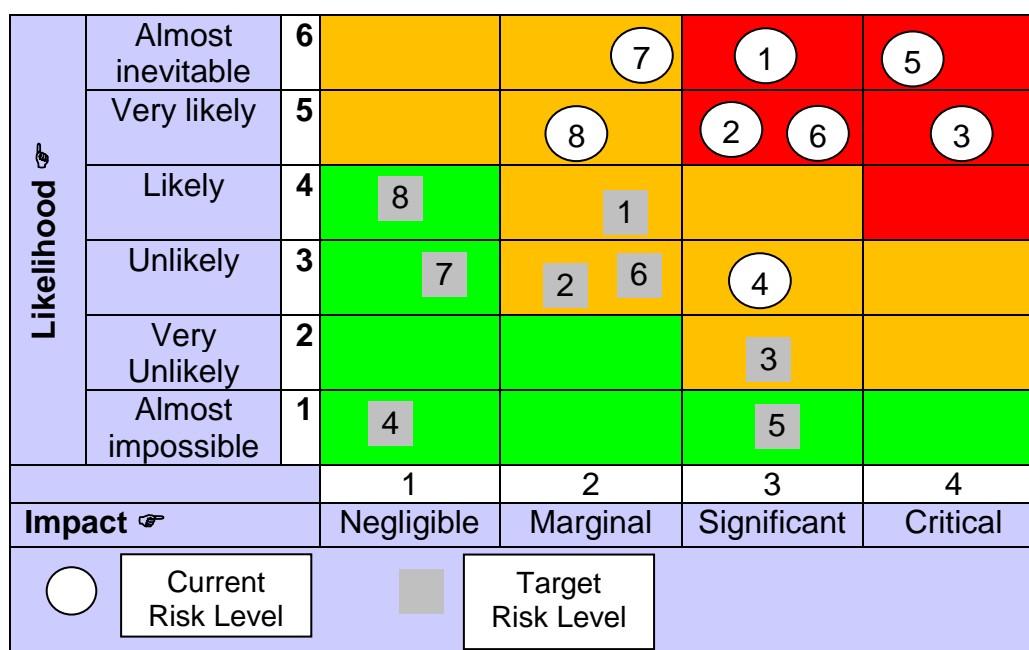
- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

9. Summary risk profile

9.1. A summary risk profile is a simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on an existing risk register.

9.2. It provides a powerful visual snapshot of the collective risk associated with the activity. The summary risk profile makes use of the chart in figure 1 above to plot each of the risks identified. The example below gives an example of a completed Summary Risk Profile.

9.3. Example - Completed Summary Risk Profile



9.4. In the example, the risk numbers (in white circles) are plotted to show their current risk levels for a series of 8 risks. It suggests that the activity is fairly high risk overall.

9.5. Again, in the example, the risk numbers (in grey squares) are plotted to show the target risk levels for the series of 8 risks. These show the effect that the risk controls and actions should have on the risks if they were successfully applied and completed.

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

- 9.6. Overall it demonstrates how an activity that carries a degree of high risk and potential failure could be made more acceptable. On a cautionary note, the effort and resources to be expended on managing the risk need to be re-factored into plans to ensure the activity in question remains a viable one.

10. Allocating risks and determining actions

- 10.1. All risks, no matter how they are assessed, should be allocated an owner. The owner shall be responsible for managing the risk to ensure it is appropriately treated. The level of risk will determine who the owner should be:

- High Risk – Service Management Team / Management Team
- Medium Risk – Service Management Team
- Low Risk – Service Manager

- 10.2. Once a risk has been identified, assessed and evaluated, it's important that actions are determined to treat the risk. The extent of any actions will be driven by a number of factors including the overall risk score, risk appetite and desired risk score. All actions should be documented on the Risk Assessment Form.

11. Monitoring Risks

- 11.1. Risks should be continuously monitored, as unmanaged risks can prevent the Council from achieving its objectives. The extent of monitoring will be driven by the risk rating. For example a risk assessed as High would require more frequent monitoring than a risk assessed as Low.

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

Appendix A - Risk Register

Area _____

No	Risk Title	Consequences	Date identified	Likelihood Score	Impact score	Overall inherent risk score	Risk Assessment form completed?	Desired risk score	Mitigating actions to achieve desired risk score	Links to Corporate Objectives / Directorate Business Plans	Risk Owner	Review Date

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RISK MANAGEMENT GUIDANCE

Appendix B - Risk Assessment Form

SECTION 1 – RISK																																																												
Risk Owner:			Service:				Directorate:																																																					
Risk Event:			Source/ cause:				Consequences:																																																					
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td rowspan="6" style="background-color: #d9e1f2; text-align: center; vertical-align: middle;">Likelihood F</td> <td style="background-color: #d9e1f2; text-align: center;">Almost inevitable</td> <td style="background-color: #d9e1f2; text-align: center;">6</td> <td style="background-color: #ffffcc; text-align: center;">6 Medium</td> <td style="background-color: #ffffcc; text-align: center;">12 Medium</td> <td style="background-color: #ffcccc; text-align: center;">18 High</td> <td style="background-color: #ffcccc; text-align: center;">24 High</td> </tr> <tr> <td style="background-color: #d9e1f2; text-align: center;">Very likely</td> <td style="background-color: #d9e1f2; text-align: center;">5</td> <td style="background-color: #ffffcc; text-align: center;">5 Medium</td> <td style="background-color: #ffffcc; text-align: center;">10 medium</td> <td style="background-color: #ffcccc; text-align: center;">15 High</td> <td style="background-color: #ffcccc; text-align: center;">20 High</td> </tr> <tr> <td style="background-color: #d9e1f2; text-align: center;">Likely</td> <td style="background-color: #d9e1f2; text-align: center;">4</td> <td style="background-color: #ccffcc; text-align: center;">4 Low</td> <td style="background-color: #ffffcc; text-align: center;">8 Medium</td> <td style="background-color: #ffcccc; text-align: center;">12 Medium</td> <td style="background-color: #ffcccc; text-align: center;">16 High</td> </tr> <tr> <td style="background-color: #d9e1f2; text-align: center;">Unlikely</td> <td style="background-color: #d9e1f2; text-align: center;">3</td> <td style="background-color: #ccffcc; text-align: center;">3 Low</td> <td style="background-color: #ffffcc; text-align: center;">6 Medium</td> <td style="background-color: #ffcccc; text-align: center;">9 Medium</td> <td style="background-color: #ffcccc; text-align: center;">12 Medium</td> </tr> <tr> <td style="background-color: #d9e1f2; text-align: center;">Very Unlikely</td> <td style="background-color: #d9e1f2; text-align: center;">2</td> <td style="background-color: #ccffcc; text-align: center;">2 Low</td> <td style="background-color: #ccffcc; text-align: center;">4 Low</td> <td style="background-color: #ffcccc; text-align: center;">6 Medium</td> <td style="background-color: #ffcccc; text-align: center;">8 Medium</td> </tr> <tr> <td style="background-color: #d9e1f2; text-align: center;">Almost impossible</td> <td style="background-color: #d9e1f2; text-align: center;">1</td> <td style="background-color: #ccffcc; text-align: center;">1 Low</td> <td style="background-color: #ccffcc; text-align: center;">2 Low</td> <td style="background-color: #ccffcc; text-align: center;">3 Low</td> <td style="background-color: #ccffcc; text-align: center;">4 Low</td> </tr> <tr> <td colspan="2" style="background-color: #d9e1f2;"></td> <td></td> <td style="background-color: #ffffcc; text-align: center;">1</td> <td style="background-color: #ffffcc; text-align: center;">2</td> <td style="background-color: #ffcccc; text-align: center;">3</td> <td style="background-color: #ffcccc; text-align: center;">4</td> </tr> <tr> <td colspan="2" style="background-color: #d9e1f2;">Impact <input type="checkbox"/></td> <td></td> <td style="background-color: #ccffcc; text-align: center;">Negligible</td> <td style="background-color: #ffffcc; text-align: center;">Marginal</td> <td style="background-color: #ffcccc; text-align: center;">Significant</td> <td style="background-color: #ffcccc; text-align: center;">Critical</td> </tr> </table>							Likelihood F	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High	Very likely	5	5 Medium	10 medium	15 High	20 High	Likely	4	4 Low	8 Medium	12 Medium	16 High	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium	Almost impossible	1	1 Low	2 Low	3 Low	4 Low				1	2	3	4	Impact <input type="checkbox"/>			Negligible	Marginal	Significant	Critical	<p>Likelihood score:</p> <p>Impact score:</p> <p>Overall risk score:</p> <p>Accepted?*</p> <p>* If yes, provide rationale. * If no, go to Section 2.</p>		
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SECTION 2 – CONTROLS/ MITIGATING ACTIONS (copy this section for each control/ action)																																																												
Control/ Action Owner:			Service:				Directorate:																																																					
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TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

Appendix C - Determining Likelihood and Impact

	Likelihood	Example – winter weather
Almost Inevitable	<ul style="list-style-type: none"> Is expected to happen 	<ul style="list-style-type: none"> Rain
Very Likely	<ul style="list-style-type: none"> More likely to happen than not 	<ul style="list-style-type: none"> Strong winds
Likely	<ul style="list-style-type: none"> Strong possibility it will happen 	<ul style="list-style-type: none"> Snow
Unlikely	<ul style="list-style-type: none"> This could happen 	<ul style="list-style-type: none"> Flooding
Very Unlikely	<ul style="list-style-type: none"> There is a remote possibility this could happen 	<ul style="list-style-type: none"> Hurricane
Almost Impossible	<ul style="list-style-type: none"> Once in a lifetime occurrence 	<ul style="list-style-type: none"> Thames freezes over

	Impact*	Example
Critical	<ul style="list-style-type: none"> Unacceptable level of loss or damage 	<ul style="list-style-type: none"> Significant material financial loss e.g. impacts statutory service delivery/going concern status Loss of life or permanent/ debilitating damage National media coverage, judicial review, government intervention
Significant	<ul style="list-style-type: none"> Considerable level of loss or damage 	<ul style="list-style-type: none"> Material financial loss e.g. impacts non-statutory service delivery, risk of redundancies Major injury Local media coverage, government interest
Marginal	<ul style="list-style-type: none"> Limited loss or damage 	<ul style="list-style-type: none"> Some financial loss but manageable impact on service delivery Minor injury Limited social media interest
Negligible	<ul style="list-style-type: none"> Tolerable level of loss or damage 	<ul style="list-style-type: none"> No or very minimal financial loss Minor 'trips and slips' No media interest

*Impact should always be considered in terms of financial loss, harm to a person or people and the Council's reputation and should link to Tonbridge and Malling Borough Council's risk appetite.

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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	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. Coronavirus has increased support to vulnerable individuals.	01/04/2017	3	4	12	The responsibility for safeguarding is with the Chief Executive, rather than an individual service and a review implemented. Audit Review undertaken, identifying areas of weakness to be address, progress to date with positive direction noted. Training delivered to all Hackney Carriage and Private Hire Drivers. Secure Database in place, with secure access, for recording of safeguarding concerns and referrals onto other agencies 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.	3	4	12	Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings. Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.	Safeguarding Policy	Chief Executive	As required
2	Financial position/budget deficit	F, R	Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention. Failure to maximise New Homes Bonus (for as long as it exists). Coronavirus pandemic had significant economic implications for the Council, businesses and residents. Current economic climate due to escalating inflation has significant economic implications for the Council, businesses and residents	01/04/2017	4	4	16	The Council provides an annual statement (as a minimum) on the following areas; Treasury Management and Investment Strategy. Robustness of estimates and adequacy of reserves. Effective monitoring control procedures. Savings and Transformation Strategy (STS) reviewed and updated. Unqualified Audit and Value for Money Opinion contained with Annual Audit Letter. Medium Term Financial Strategy (MTFS) updated and shared regularly with Cabinet to keep members aware of current financial situation. Business Rates income monitored. Decision taken with partners for TMBC to re-join the Kent pool for 2023/24 - awaiting confirmation from Secretary of State that this has been approved. Local government finance settlement for 23/24 expected later December - policy statement has been issued by government setting out the parameters. Higher level of funding expected for 23/24, subject to detail being received, and Negative RSG expected to be eliminated for 2024. New Homes Bonus expected to be paid MTFS and STS updated and approved during Budget Setting Feb 2022/23. Since then, Cabinet have been updated on potential best and worst case scenarios. Once provisional settlement received, MTFS will be updated again and savings targets set out. Ethos is essential spend, introduced during pandemic, continues Regular returns submitted to MHCLG as required to assist with roll out of government grants. For example National Leisure Funding application submitted and £250,000 awarded. Regular reports to Cabinet on latest position re budget and funding gap. Conflict in Ukraine has increased energy prices further. Report to Cabinet - June, July, October 2022 Energy prices liability under cost sharing agreement with Leisure Trust being managed - funding provided from Budget Stabilisation Reserve	3	3	9	Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected. Commissioning of service reviews via MT to identify potential areas of transformation and savings. Review of key strategic assets to be completed, including office accommodation. O&S Committee establish work programme to continue to identify potential savings. Continue to provide regular reports to Cabinet and work to identify potential sources of saving/income generation. Report to Finance, Regeneration and Property Select Committee in November 2022 regarding MTFS Continued tight rein on essential spend only to protect Council finances. Fair Funding Review awaited, as is Business Rates Retention Review. Noted via Policy statement December 2022 that fair Funding or Business Rates reset will not be in the next 2 years. Respond to consultations when available. Three key financial risks were highlighted to Members: namely Waste, Homelessness and Local Plan. All three have significant financial implications for the Council in different ways. Consultants were engaged in respect of Homelessness to find ways of reducing cost and finding more efficient ways of delivering the mandatory function. Discussions with Waste contractor continue with regards to performance and garden waste. Resubmission of local plan has been reported to Members and decisions made about way forward. The additional costs were factored into budget reports from 22/23. Report to Cabinet June and July 2022 with potential implications as the impact of conflict in Ukraine unwinds in terms of energy and price inflation in UK. Use of reserves likely over Medium Term in order to support revenue budget but it is imperative that savings are identified and delivered. Cabinet report in November 2022 on progress with savings. An indicative update of the MTFS was presented to Cabinet on 4 October 2022 to set the scene for the Budget Cycle. Financial Planning & Control reports now being presented to the FRP Select committee. In addition, the Select Committee reviewed MTFS and savings position at its meeting in November 22.	Vision- to be a financially sustainable Council. Taking a business-like approach.	Director of Finance and Transformation	Feb-23

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3	Economic Stability and Impact of EU Transition	F	<p>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.</p> <p>Coronavirus pandemic has significant economic implications for businesses and residents.</p> <p>Current high rates of inflation likely to have wider impact on community and businesses</p>	01/04/2017	4	4	16	<p>Kent-wide working to understand, plan for and react to pressures.</p> <p>Regular review of;</p> <p>MTFS reflecting economic factors</p> <p>Treasury Management and Investment strategies.</p> <p>Working with Kent Resilience Forum since outbreak of pandemic on day to day basis, managing both pandemic and EU transition impacts.</p> <p>All staff equipped to be able to work from home and deliver public services. Staff working under transitional working arrangements until Sept 2022 when future of office space/working arrangements will be determined</p> <p>Delivery of Household Support funds in liaison with KCC</p> <p>Council to made energy rebate payments to eligible residents in 22/23 on behalf of government - scheme now complete including discretionary scheme</p>	3	4	12	<p>Council continuing to work with Kent Resilience forum and County Partnership groups including Strategic and Tactical Co-ordinating Groups.</p> <p>Keep Business Impact assessments under review.</p> <p>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.</p> <p>IT staff continuing to support staff working from home. Transitional working arrangements commenced Sept 2021 as agreed by Members. Longer term approach to remote working to be considered by Members Sept 2022. New arrangements came into place from 1 December 2022</p> <p>Household Support Fund tranche 3 being approved by Cabinet December 2022 to allow payment to relevant parties from December - March</p>	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	Feb-23
4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	<p>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.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	4	4	16	<p>STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members</p> <p>Following the Peer Challenge Review (PCR), a draft Corporate Strategy has been produced and has benefited from staff consultation in November 2022. The strategy is going to Cabinet on 14 December 2022 and will go out to public consultation in Winter 2022/23. One of the recommendations of the PCR was the need to be more externally focussed and to balance this with financial requirements.</p> <p>Businesses - all Covid-19 grant schemes and Welcome Back Fund initiatives were successfully completed by the end of March 2022.</p> <p>Budget report to Cabinet Feb 22 included update of MTFS and STS. Approved Feb 22. During Budget setting Feb 22, Members reminded of the need to firstly deliver on the already identified savings initiatives within the timescales set in the MTFS. MTFS being updated further to reflect current inflationary pressures which are potentially widening the funding gap. Further reports made to Cabinet. Budget for 23/24 underway</p>	3	3	9	<p>Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of in service reviews via MT to identify potential areas of transformation and savings.</p> <p>Strategic asset management review to deliver new income .</p> <p>O&S programme to be supported in order to deliver savings to contribute to STS.</p> <p>Delivery of the savings targets is PARAMOUNT for the financial stability of the Council. Cabinet c report in November 22 with progress on delivery of savings, and Cabinet received an indicative update of MTFS in October 22. Essential spend ethos remains. Policy statement from central government December 2022 gives indication about funding levels for 23/24 and to a lesser extent 24/25. Provisional settlement with figures for TMBC due late December 2022</p>	The current Corporate Strategy - 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	Feb-23

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5	Local Plan	F, R	Lack of sound legal footing for Plan through inadequacies in evidence base, legal advice or process, including duty to cooperate. Leading to widespread public concern, or risk of failure at Examination. External factors or widespread planning reforms leading to delays to timetable, reputational risks around plan-making and impacts on development management processes through protracted period with no up-to-date plan. Absence of corporate or external co-ordination leading to a lack of infrastructure to support future development.	01/04/2017	4	4	16	Members are regularly updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee Member approval received for revised Local Development Scheme in March 2022 Draft Reg 18 at HPSSC and Cabinet for endorsement/approval in early Sept 2022 HPSSC with recommendation to Cabinet in December 2022 Proposed informal engagement with members on emerging spatial strategy in Spring 2023	3	3	9	Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning Ongoing engagement with Counsel Ongoing engagement with Members Regular analysis of budget position Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.	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	Mar-23
6	Organisational development inc. staff recruitment and retention/skills mix. Impact of loss of capacity caused by recruitment difficulties upon delivery of corporate objectives. Increase in rate of inflation and consequent pressure on level of pay award.	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	4	4	16	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 2022/23 2%. National Award yet to be determined. Increase in level of inflation and other national budgetary pressures are likely to increase calls for higher pay award (12.5% pay claim from Unison Dec 2022). Structural reviews approved by Members on an ongoing basis. HR 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. Workforce Strategy approved by General Purposes Committee in June 2022	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	Mar-23
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 Health & Safety Group 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 reviewed and a future survey will be incorporated into general staff survey approach 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	Mar-23

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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	5	4	20	<p>The Council has a nominated 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> <p>Election Bill Changes are implemented and all guidance is published.</p> <p>Ward Boundary changes are implemented.</p>	4	4	16	<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. Further amendments submitted since that date to Council as and when required. Governance changes approved in April 2022 led to further revisions to Constitution.</p> <p>Additional GDPR and Cyber Awareness Training undertaken by all staff and members, completion date of October 2019.</p> <p>Ensure all staff are up to date with changes and members of the public are informed so no one is disenfranchised.</p> <p>Legislation for Voter ID went through Parliament in November 2022. Legislation has been passed but guidance is not been finalised yet, should be here by end of January 23. The new online portal is not yet complete and due to go live 16th January 2023 for the May 2023 Elections. Lots of communication being sent down as well as changes to the Elections System.</p> <p>Use module to install all changes to the system to ensure Elections system is updated before May 2023 Elections. Plan to republish 1st February</p>		Director of Central Services and Deputy Chief Executive	As required

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9	Cyber Security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017				The Council has; Information Security Policy deployed via Policy Management System. Implemented network security measures including access controls. Considered cyber insurance. Established an Information Governance Group. Appointed a Member Cyber Champion. Rolled out Cyber awareness training to all staff and Members via eLearning. Deployed 'Next generation' Palo Alto firewall technology for improved visibility and control. Deployed software solution to identify potential confidential data held on file servers. Deployed DLP software at email egress point. 3 4 12 Implemented secure email in accordance with NCSC guidelines. Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary. Implemented Solarwinds Security Event Manager. 1 member of IT team obtained Certified Information Systems Security Professional (CISSP) qualification October 2020. Implemented cloud backup and DR facilities to improve resilience; and embedded cyber security into DR and BCP processes. 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. Cloud based web and email filtering has been deployed to improve availability and resilience. Completed firewall ruleset review following migration to Cloud to ensure our configuration is in line with best practice guidelines. Carried out phishing simulation exercise as first phase of awareness training for staff and members, to highlight areas of risk and to identify training needs. Subsequent online training sent out to all staff and members. Carried out phishing training quiz for all staff as second phase of phishing awareness campaign. Quiz was extended to Members although take-up has not been as successful. Further training to be targeted. Developed and deployed wallpaper/ lock screen to all TMBC laptops and PCs, with cyber security reminder to further reduce risk by increasing awareness. Head of IT appointed Senior Information Risk Owner (SIRO) from October 22. This role has responsibility for information and data risk and protection. Obtained Cyber Essentials accreditation in November 2022, demonstrating that our technical controls are designed to defend against the most common cyber threats.	3	3	9	The Council has; Prioritised the resources (both financial and staff) to ensure relevant updates and security mitigations are carried out in a timely manner. Scheduled annual IT Health Check (ITHC), quarterly PCI scans, and monthly vulnerability scans, feeding into remediation plans. July 2022 PCI scan passed. Investigating and resolving detected security issues from latest ITHC 8/8/22 - 12/8/22. Next ITHC August 2023. Regular email messages are sent out to all staff and Members on cyber security vigilance. Continuing to investigate emerging threats and cyber alerts, communicating with 3rd party suppliers to check compliance/obtain security updates and implementing mitigations as required to reduce likelihood of compromise. Training for IT staff on security aspects of Cloud environment is underway. Investigating further improvements to DR capability with specific regard to recovery from cyber incidents. Ensuring new staff have been invited to undertake training cyber security training. Further training and audits will follow to ensure the Council is as aware and prepared as possible to respond to potential cyber attacks. Evaluating NCSC approved cyber security training for Members. Anticipated deployment in Q4. NCSC approved cyber security training has been evaluated and will be rolled out to all staff via the Council's new LMS system Q3/Q4. Following a phishing simulation exercise, that took place as the third phase of our phishing awareness campaign, a further and more in-depth phishing training package will be deployed to all staff to highlight specific risks and increase staff awareness. Continued ongoing development training to ensure that knowledge is kept up to date. We are currently working towards Cyber Essentials Plus accreditation to independently verify the Council's cyber defences and highlight areas for improvement.	IT Strategy	Director of Finance and Transformation	Feb-23

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.	01/04/2017				IT Strategy has been reviewed, updated and extended to 2023 (previously 2018-2022) with linkage to MTFS and Savings and Transformation and Digital Strategy. Invest to save opportunities and funding identified and projects have been initiated. Digital Strategy - developed and approved by Members in July 2019. Replacement of legacy business systems and greater use of digital alternatives (cloud based) projects have been initiated. Disaster Recovery solution (cloud based) has been implemented. All staff are able to work remotely via laptops and secure 'always-on' VPN. iPads and required software rolled out to Councillors, MT Members, Senior Management and in-field Staff. Data quality policy has been introduced to ensure improvement and efficiency can be achieved. Introduced Microsoft Teams for virtual meetings for members and staff. Implemented hybrid media conferencing solutions for on-site and remote workers. Multi-factor authentication solution enabled for remote access to O365 to improve security and business continuity. Migrated Telephony to the Cloud to improve business continuity and functionality. Multi-media Cloud based Contact Centre management solution implemented to improve functionality, availability and business continuity. Migrated production environment from on-premises to Cloud to improve and sustain business continuity and service availability. New CMS solution and website implemented to improve digital engagement for residents and businesses. Implemented cross-region Cloud backups for the new Cloud production environment to improve resilience. Implemented 'My TMBC' mobile app facilities to enable proactive and responsive engagement with residents and businesses in parallel with the Council's new website. Implemented corporate/enterprise document management system. VPN migrated to Cloud and Multi-factor authentication implemented for remote access over VPN to improve security and business continuity. All staff migrated to Office 365 to improve flexibility and reliability.				Active engagement of Officer and Member Groups in the implementation of digital agenda and changes to the Website format and content. Mobile working solution for in-field workers currently being developed and undergoing field testing. Further development of corporate/enterprise document management system and expansion in usage across the Council is being planned. Further development of the multi-media Cloud Contact Centre solution, to exploit state of the art technology and features to improve customer experience in line with current industry standards, is expected to commence in Q4 with AI bots for switchboard automation. Following a review of backup processes and Disaster Recovery arrangements for Cloud production environment, evaluation of potential solutions and a POC, procurement of an immutable backup solution is underway to improve resilience to cyber-attack. Varonis 365 POC for GDPR requirements taking place in Q3. Review of wired and wireless network infrastructure, in line with planned Gibson Building accommodation changes, has commenced. Planning migration from Server 2012 R2 in line with EOL notification. To be completed by end of Q2 2023/24. MFD equipment and associated print management software procurement is in progress in Q3/4. Implementation of Agile Applications cloud based solution as a replacement for IDOX DMS, Uniform and TLC is underway to provide a cost-effective and modern service delivery platform. Review of end user IT equipment is underway to inform future device policy.	IT Strategy	Director of Finance and Transformation	Feb-23

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				The Council has in place; Business Continuity Plan. Corporate Business Continuity Risk Register Emergency Plans Disaster Recovery Plans Inter-Authority Agreements Mutual Aid Agreement Partnership agreement with Kent Resilience Team. Emergency Planning Support Officer. Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience. Covid Secure rest centre plan has been developed	3	4	12	Emergency planning documentation undergoing constant review and key aspects exercised on an annual basis. Increase % of staff trained in roles identified in the Emergency Plan 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. 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. 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. Annual Emergency planning review to be reported to Management Team. 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.	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services	Feb-23
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				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. Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing. County Deal discussions are invited and Kent Leaders are giving preliminary considerations albeit that there is no agreed view at this stage.	3	3	9	White Paper on Devolution is to be published in the Autumn. Analysis of this will be a priority action. This is now replaced by the anticipated "Levelling Up" prospectus in 2022	External risk/national issue	Chief Executive	As required
13	Partnerships inc. shared services	F, R, S	Reliance on partners to deliver key services, including private sector companies. Could include specific partnership or shared service models such as the Leisure Trust and risks around service delivery and impact on staff morale / retention if base moves from TMBC . Potential resistance to shared services / partnerships impacting on ability to deliver Savings & Transformation Strategy. Private sector partnerships failing having consequences for service delivery. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017				Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate. Good communication with staff. Officers maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity. Contractors and partners are impacted by the pandemic. The Council is liaising and supporting major partners to ensure that key services can continue. Discussions with TMLT on a weekly basis. Budget established to support during lockdown and reopening under social distancing/Covid conditions. Partnership work and liaison with key voluntary sector groups will continue via the Local Strategic Partnership meetings and community development meetings in priority wards.	3	3	9	New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place. Ground Maintenance Contract extended in light of good performance of contractor. KCC will be undertaking Audit and Fraud function from 1 October 2021 on a newly agreed delegated functions arrangement. As previously report to Audit Committee and Cabinet, this arrangement will provide greater resilience and breadth of experience/knowledge. The Council is working within guidance issued by Cabinet Office "Guidance on responsible contractual behaviour in the performance and enforcement of contracts impacted by the Covid-19 emergency " and Procurement Policy Notes to support contractors and suppliers. The Council will continue to administer the grants to key voluntary sector bodies, with progress to be reported annually to CHAB. Additional Government grants as a result of the response to the pandemic (Emergency Assistance Grant and Covid Winter Grant) will be promoted to local voluntary sector organisations and applications for funding will be agreed via FIPAB.	Savings and Transformation Strategy	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> <p>Ukrainian refugee temporary resettlement program - We are awaiting full guidance on Local Authority responsibilities. Kent Resilience Forum are acting as lead.</p>	01/04/2017				<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>commissioned consultancy work in respect of Homelessness function (TA)</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 & Maidstone Job Centres. Signposting now to UC rather than HB for new working age claimants.</p> <p>CTR Scheme approved for 22/23 . Hardship policy updated to allow for the "up to £50" contribution by KCC for working age CTR claimants in 21/22. Further £40 granted to working age CTR Dec 21</p> <p>Household Support fund tranche allocated by KCC Dec 22</p> <p>Members considered report on Energy Rebate Scheme 2022 on 15 March 2022. payments made</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> <p>Council Tax (Energy Rebate) scheme complete</p>	3	3	9	<p>Improved working with TA providers leading to more guarantees of available accommodation and developing a TA Procurement Strategy</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>New temporary accommodation purchased in Pembury Rd. HMO refit works concluding and looking at management options for late 2022</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&M. work with Kent councils collaboratively to ensure grants and support targeted to those most in need</p> <p>Complete delivery of energy rebate scheme payments -mandatory and discretionary schemes virtually complete as at end August 2022</p> <p>Response to consultant's report on homelessness - to be presented to Member Q1 of 2022</p> <p>policy for household support fund to be developed</p> <p>Refresh local CTR scheme for 22/23.</p> <p>Complete delivery of energy rebate scheme payments</p> <p>Deliver District responsibilities of Ukrainian resettlement scheme.</p> <p>Deliver latest Household support fund in liaison with KCC,</p>	<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.</p>	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health	Feb-23
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				<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 & Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.</p>	3	3	9	<p>Member briefings and training sessions.</p>	<p>Underpins delivery of overall strategy and Savings and Transformation.</p>	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 through the Medway Flood Partnership (including EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding, including LEHES and property resilience works at East Peckham. 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 which will be completed by 2025. £20,000 from Business Rates Retention Pilot Reserve approved for Natural Flood Management Schemes in the Borough (Leybourne Lakes and Ightham Mote)	Emergency Plan Civil Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services	Feb-23
17	Homes for Ukraine Scheme	F, R, S	Districts are required to undertake home assessments for potential host households to support Ukrainian refugees fleeing the conflict. Increased workload expected as likelihood of breakdown in housing arrangements as we have reached the 6 month mark. Requests for rematches are increasing and there is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to facilitate rematches and/or support into private rented sector.	01/09/2022	4	4		Some reserve host families have been identified but larger families pose a bigger risk	3	4	12	Additional support into Private Rented Sector.		Chief Executive	As required
18	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 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. Joint Member meeting established with TW's to guide strategic approach External advice sought from specialists on key decisions including Legal. New 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 have been affected by pandemic and national HGV shortage. Agreed with contractor to temporarily ceasing collection of garden waste, Saturday freighter and bulky waste booking system for a period of time to allow focus on recycling and general waste. Garden Waste and bulky booking has resumed. With regard to garden waste collections, residents will have subscriptions extended to compensate. New GW subscriptions were reinstated on 4.04.22. Street cleansing was not suspended but has been impacted as other services have taken priority. Full roll out of service to flats postponed and now being implemented on a phased basis across the borough.	3	3	9	Continuation of Partnership working with TW's and monitoring through established Steering Group. Continuation of Member working group to steer strategic approach. Contract monitoring and the firm use of remedies to improve performance including the contractual default procedure. CE's continuing to meet with Urbaser to discuss future sustainability of the contract. Monitor and phase roll out to flats and any impact of other frontline collections. Reports on progress submitted to appropriate meetings/committees	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	Jan-23
19	Implementation of Agile system	F, S	If Agile system is not configured and ready to 'go live' before 31 March 2023, there is a business continuity and/or financial risk, as the Council may have to negotiate with existing provider to ensure service provision can continue in several front line areas of the Council (most of PHEH, Land Charges, GIS and Licencing) Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping	01/11/2022	4	4	16	Programme of liaison meetings with Agile in place including Board and weekly catch ups Internal meetings with staff, managed by IT Project Coordinator Issues log in use Issues escalated to Agile management	2	2	4	Further escalation of issues to Agile CEO Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT on a regular basis	Digital Strategy	Director of Planning, Housing and Environmental Health	Jan-23

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
20	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	14/12/22	3	5	15	Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress. Local and Parish Elections are being held May 2023. High risk due to changes being introduced from Elections Bill. Possible problems with staffing and the new Voter ID portal.	2	4	8	Broadening of staff skills and experience to build resilience. Discussions on core staffing for Elections and use of more IT modules to reduce workload and progress digital transformation MT horizon scanning on any increased chance of snap General Election. RO and DRO's assessing risks. Risk has diminished at the moment.	Statutory requirement	Chief Executive	May-23

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

		Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 77	Chief Executive and Central Services	Larkfield Leisure Centre	All showers are currently open. Last set of samples in August came back all clear bar one reading, which is to be resampled.	Ongoing	Ongoing. Following negative sampling results, biocide levels are being decreased and the effects monitored. If positive samples occur then it may result in a financial risk in terms of having to undertake further works on site
		Homes For Ukraine Scheme	Moved to Strategic Risk Register		
		Gibson Building	Cabinet agreed in Sept 2022 that the main offices of the Council should remain located at Kings Hill and that Officers should investigate the feasibility of progressing option 4 set out in the report.	Ongoing.	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings.
		Elections	Introduction of Elections Bill changes, including Voter ID	Ongoing.	Cost implication, which is unknown at present and also possible impact on staffing levels, with staff not waiting to work due to increased responsibility.
	Finance and Transformation	Elections	Changes to Ward and Parliamentary boundaries	Ongoing.	Increased work load to implement changes and more complex for running future Parliamentary elections, due to sharing constituencies with other authorities.
		IT Security (formerly 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.
		Economic Stability	Economic issues surrounding Council Finances	Ongoing	Part of Strategic Risk Register.
		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

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

Planning, Housing and Environmental Health	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
	Temporary Accommodation (TA)	Heightened use of TA over and above likely levels for TMBC resulting in high caseloads and financial pressures.	Ongoing	TA consultancy review completed, actions being implemented (reported to Members in Feb 2022). Budget tracking process agreed for 2022/23.
	Temporary Accommodation (TA)	Personal injury claims	Ongoing	Updated inspection regime being developed by officers.
	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. Agreed catch up programme in place utilising COMF funding.
	Increased number of planning appeals/inquiries	Application determination timescales not being met, more speculative development, creates reputational risks and increases likelihood of appeals.	Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption. MT agreed agency planning funding for short term. Head of Planning conducting service review summer 2022
	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	Regulation 18 to be presented to Members in September 2022 for approval for consultation

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

		Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 79	Street Scene, Leisure and Technical Services	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 to be analysed.
		Bluebell Hill Car Park	Ongoing anti-social behaviour	Completed	Gate installed and locked over the weekend to restrict access to the site. Longer term review of asset required.
		Utilities costs	Significant energy price increases at leisure centres will result in financial cost to the Council under the risk sharing agreement in the Management Agreement with the Trust.	Ongoing	Trust providing regular updates via Strategic/Service Fee meetings - cost of swim charges increased to help contribute to additional cost, energy saving initiatives being investigated and central government being lobbied.
		Tonbridge Swimming Pool / Larkfield Leisure Centre	Low supply of chemicals for treating pools available across Europe. May lead to closures.	Ongoing	Trust exploring all opportunities to secure supply. Alternative means of cleansing being investigated by Property Services.
		Tonbridge Castle	Resident complaint regarding resurfacing material for path not being suitable for wheelchair access.	Ongoing	Risk assessment undertaken. Loose stone cleared. Additional coat of bonding applied to path. DDA audit being undertaken.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2023/24

The report provides details of investments undertaken and return achieved in the first nine months of the current financial year and an introduction to the 2023/24 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

1.1 Introduction

- 1.1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are 'affordable, prudent and sustainable'.
- 1.1.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.2 Interest Rate Forecast

- 1.2.1 Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, the UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022. Link's forecast used in the 2022/23 Investment Strategy assumed economic conditions would steadily climb, reaching 1.25% over the next three years.
- 1.2.2 Since the approval of the 2022/23 Strategy was published last February the conflict in Ukraine and the subsequent impact on the global economic conditions has contributed towards soaring inflation. The MPC has acted to bring inflation under control by way of increasing the interest rates several times in as many meetings. Although we are expecting to see interest rate continue to rise in the

coming months, it is expected to peak at 4.5% compared to the previously forecasted rate of between 5% - 6%.

- 1.2.3 CPI inflation peaked at 11.1% in October and although it remains elevated, it is expected to come down. However, this does not take into account the further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household so there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
- 1.2.4 UK unemployment rate is at a 48-year low of 3.6%, and this despite a net migration increase of circa 500k. The fact is that with many economic participants registered as long-term sick, the UK labour force has shrunk by circa 500k in the year to June. Without an increase in the labour force participation rate, it will be difficult for the UK economy to grow its way to prosperity. Average wage increases are running at over 6% is likely to give the MPC concern that wage inflation will prove just as difficult to manage as the major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine.
- 1.2.5 Link's latest Bank Rate forecast, updated in December 2022, is included in **[Annex 5]** and anticipates the Bank Rate peaking at 4.50% in 2023/24 before reducing to 2.50% by March 2026.

1.3 Investment Performance

- 1.3.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.
- 1.3.2 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 2022/23 cash flow surpluses have averaged £22.4m.
- 1.3.3 The Authority also has £30m 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.
- 1.3.4 Cash flow and core cash balances also includes some £10m to meet business rate appeals of which £3m are expected to be resolved in 2022/23 and the remainder in future years.
- 1.3.5 Long term investment comprises £5m in property fund investments.

- 1.3.6 Medium term investment comprises £4.25m in diversified income fund investments.
- 1.3.7 A full list of investments held on 30 November 2022 is provided at **[Annex 1]** and a copy of our lending list of 28 November 2022 is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of November.

	Funds invested on 30 November 2022	Average duration to maturity	Weighted average rate of return	SONIA benchmark (average)	Interest / dividends earned	Gross annualised return
	£m	Days	%	1 April to 30 November 2022 %	1 April to 30 November 2022 £	%
Cash flow	31.91	7	1.31	1.55	277,590	2.92
Core cash	30.00	121	1.81	2.11	288,360	3.03
Sub-total	61.91	62	1.52	1.79	565,950	2.97
Long term	5.00				86,200	3.45
Medium term	4.25				126,600	4.47
Total	71.16				778,750	3.63

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to September 2022.

- 1.3.8 **Cash flow and core cash investments.** Whilst the SONIA benchmark exceeds the authority's performance it should be noted where we are in relation to the investment cycle. SONIA is forward looking versus the authority figures which are based on interest earned to date. The result of which shows the authority is at the point in the cycle where we are behind the curve. However, once Bank Rates stabilise and start to come down, it is expected that we will remain ahead of the curve for longer. At this point our figures will show an outperformance of the benchmark. The benchmarking data provided in Annex 3 shows the authority's performance is above average when compared to other authorities of similar size.
- 1.3.9 Interest earned of £565,950 to the end of November is £520,700 above the original budget estimate for the same period. The increases in Bank Rates have been taken into consideration and updated figures have been included in the revised budget.
- 1.3.10 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

September 2022 the Council's return at 2.07% (purple diamond) was above the local authority average. 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.

- 1.3.11 Only cash flow and core cash returns form part of the benchmarking data. The additional return the Council makes from its property fund investments is not included. The data also excludes any short term borrowing costs authorities may have incurred to meet payment obligations. To address the cash flow uncertainties that Covid-19 has generated this Council has maintained much higher levels of daily liquidity than would otherwise have been the case. As a consequence no borrowing costs have been incurred to date and none are anticipated during the remainder of 2022/23.
- 1.3.12 **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.
- 1.3.13 £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 could be made in the future as resources become available from asset disposals and other windfalls.
- 1.3.14 During the period 1 April 2022 to 30 September 2022 the £5m investment in property funds generated dividends of £86,200 which represents an annualised return of 3.4% (3.1% in 2021/22). Income from property funds is expected to be in line with the budget for the financial year as a whole.
- 1.3.15 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.

1.3.16 Sale values at the end of November vs initial purchase prices are as follows:

Property fund (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)	Purchase price a £	Sale value at date of purchase b £	Sale value 30 November 2022 c £	30 November 22 sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	967,700	(32,300)
Lothbury (Primary, July 2017)	1,000,000	927,700	875,000	(125,000)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	974,800	(25,200)
LAPF (Primary, June 2018)	1,000,000	922,200	927,900	(72,100)
Lothbury (Secondary, July 2018)	1,000,000	973,000	858,200	(141,800)
Total change in principal	5,000,000	4,684,100	4,603,600	(396,400)
Total dividends received to September 2022				827,300
Net benefit since inception				430,900

Table 2

1.3.17 Since inception, the Council has received dividends from its property fund investments totalling £827,300. It was previously reported that there were no indicators that the market would contract in the short term. Since then there has been a decline in the capital value of the property funds against the original purchase price as we entered a recession. The property funds continue to distribute dividends of which we have received £86,200 for the first six months of the year.

1.3.18 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.

1.3.19 **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 the multi asset funds into the 2021/22 Annual Investment Strategy.

- 1.3.20 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”.
- 1.3.21 A total of £4.25m was invested in 2021/22 between three funds chosen from the rigorous selection process, Fidelity Multi Asset Income Fund, Ninety-One Diversified Income Fund and Aegon Diversified Monthly Income Fund. It is expected that each fund will deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. Funds invested included the proceeds from the sale of Riverwalk offices. Additional multi asset fund investments could be made in the future as resources become available from asset disposals and other windfalls.
- 1.3.22 During the period April 2022 to November 2022 the £4.25m investment in multi asset funds generated dividends of £126,600 which represents an annualised return of 4.47%.
- 1.3.23 **Treasury management function.** Income and expenditure estimates attributed to the Treasury Management function are provided at **[Annex 4]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council’s medium term financial strategy. Expenditure is expected to rise in-line with inflation.

1.4 Annual Investment Strategy for 2023/24

- 1.4.1 The Council’s treasury advisor anticipates bank rate rising next year and holding for three quarters before falling back to 2.50% over the next three years in order to counter the high levels of inflation we are currently experiencing and to promote the UK’s economic growth. The expectation is we will close the current financial year at 4.25% seeing two further rate rises in the final quarter of 2022/23.
- 1.4.2 The UK unemployment rate fell to a 48-year low of 3.6% and without an increase in the labour force participation rate, it is difficult to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia’s invasion of Ukraine.
- 1.4.3 Globally, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

- 1.4.4 The returns on our **property fund investments**, though representing only 7.03% of 2022/23 investment portfolio, are likely to generate some 12.3% of next years' income. The property fund investments are long term (10 year) investments. As a consequence of the high entry / exit costs (circa 8%) and potential for significant volatility in capital values, our strategy limits exposure to property funds from existing resources to 20% of expected long term balances, circa £3m per fund.
- 1.4.5 The returns on our **diversified income fund investments**, though representing only 5.97% of 2022/23 investment portfolio, are likely to generate some 10.4% of next years' income. The diversified income fund investments are medium term (5 year) investments. As a consequence of the potential for significant volatility in capital values, our strategy limits exposure to diversified income funds from existing resources to 20% of expected long term balances, circa £3m per fund.
- 1.4.6 Diversified income fund investment typically implies a 5 year commitment to negate volatility in capital values over the life of the investment.
- 1.4.7 The changes to the 2023/24 strategy include the new Liability Benchmark [**Annex 5, Appendix 2**] and the exclusion of the UK Sovereign Rating, [**Annex 5, 10.1**] which will be revisited at the Mid-Year Review. The treasury team continuously monitor the market for potential investment which may align with the Council's strategic plans, and which would provide additional revenue streams.
- 1.4.8 **Risk parameters.** The Strategy sets out the parameters that limit the Council's exposure to investment risks by requiring overnight and term deposits to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. The 2023/24 Annual Investment Strategy [**Annex 5**] adopts the same risk parameters as currently approved. In summary these are:
- 100% of funds can be invested in the UK. Exposure to non-UK institutions is restricted to no more than 20% of funds per sovereign.
 - Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
 - Investment in UK institutions is normally subject to the UK sovereign being rated A- or higher by each of the three main rating agencies. However the UK Sovereign debt rating has been placed on Negative Outlook by the three major rating agencies and it is possible the UK Sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK and to be revisited at the Mid-Year Review. The UK currently receives a rating of AA- from Fitch, AA3 from Moody's and AA from Standard and Poor's.
 - Exposure to individual counterparties / groups of related counterparty must not exceed 20% of funds or 10% of funds if a housing association.

- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), 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). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (highest).
- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.
- The duration of an investment in a foreign bank must not exceed Link's post CDS 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. The Council's Treasury Management Practices have been modified to ensure that 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 will be AAA rated 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 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.
- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 5 years, 3 years for deposits with local authorities and 2 years for all other types of investment other than investment in property funds, diversified income funds and short dated bond funds.

- The strategy includes prudential indicators for borrowing. Whilst there is no expectation that the Council will need to borrow to fund its capital expenditure proposals prior to 2029/30, borrowing on a temporary basis may be required to meet payment obligations. Borrowing limits are expressed as the operational limit (£4m) and authorised limit (£7m). Our largest monthly outflows relate to business rates and precept payments circa £5m each. Whilst those payments tend to fall on different days of the month that is not always the case. The limits are a precautionary measure to allow borrowing on a short term basis should the need arise. In recent years the Council's cash flows have been managed in such a way that no overdraft fees or temporary borrowing costs have arisen.

1.4.9 The 2023/24 Strategy **[Annex 5]** reflects the current economic environment, Link Asset Services' latest interest rate forecast and incorporates the risk parameters summarised in paragraph 1.4.8.

1.5 Non-treasury Management Practices

- 1.5.1 The authority is currently debt free, and no borrowing is forecast to meet the Council's capital expenditure proposals prior to 2029/30. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.
- 1.5.2 At present the Council has no material non-treasury investments, e.g. expenditure on loans or the acquisition of non-financial assets (property) intended to generate a profit. The report to Audit Committee 20 January 2020 made reference to procedures that would need to be adopted to ensure compliance with the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments relating to non-treasury investments. Accordingly, a practice note was prepared and endorsed at the Audit Committee meeting in January 2021 and is attached at **[Annex 6]** for information.

1.6 Legal Implications

- 1.6.1 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.
- 1.6.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments. Please note, both Codes have been updated in December 2021 and have been taken into account in the 2023/24 Treasury Management and Annual Investment Strategy.

1.7 Financial and Value for Money Considerations

- 1.7.1 The Bank Rate is currently 3.0%. Link's current forecast (December 2022) anticipates Bank Rate rising to 4.50% by June 2023 and holding for three quarters before falling back to 2.50% over the next three years to March 2026.
- 1.7.2 Following the interest rates increases over the past several months the investment income at the end of November 2022 (month eight of the financial year) from cash flow surpluses and core cash investments exceeds the original budget for the same period by £520,700. Income from property funds at the end of September is in line with the original budget for the same period. Investment income from multi-asset funds has generated £126,600 of income, and is some £22,000 in excess of the original budget. Investment income for the year as a whole is expected to exceed the original budget by circa £560,000.
- 1.7.3 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.
- 1.7.4 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.
- 1.7.5 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.
- 1.7.6 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property 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.
- 1.7.7 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.
- 1.7.8 Short term bond values are linked to interest rate expectations and long term bond values are linked to inflation expectations. Funds aim to minimise the risk of issuer default by investing in a broad spread of issuers and across different

sectors and geographic regions. Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

1.8 Risk Assessment

- 1.8.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 1.8.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.
- 1.8.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2023/24 Strategy have been minimised.

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 invited to **RECOMMEND** that Cabinet:

- 1) Note the treasury management position as at 31 December 2022.
- 2) Adopts the Treasury Management and Annual Investment Strategy for 2023/24 set out at **[Annex 5]**.

Background papers:

contact: Donna Riley

Link Asset Services: Interest rate forecast (December 2022), economic commentary and benchmarking data.

Sharon Shelton
Director of Finance and Transformation

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Tonbridge and Malling Borough Council - Investment summary 30 November 2022

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 %				
Banks, Building Societies & Other Financials														
Barclays Bank : 95 day notice account	UK	A+	F1	100 days	23/07/2019	TBD	95 Days	3,000,000 3,000,000	3.05	4.22%		3,000,000		
Bank of Montreal : Certificate of Deposit	Canada	AA-	F1+	1 year	18/11/2022	17/11/2023	1 Year	2,000,000 2,000,000	4.85	2.81%		2,000,000		
Goldman Sachs : Certificate of Deposit	UK	A+	F1	6 months	29/09/2022	29/06/2023	9 Months	2,000,000 2,000,000	5.15	2.81%		2,000,000		
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	6,000,000 6,000,000	3.00	8.43%	6,000,000			
Lloyds Bank : Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	07/07/2022 16/08/2022	06/01/2023 16/12/2022	6 Months 4 Months	3,000,000 3,000,000	1.99 2.18	8.43%		3,000,000 3,000,000		
National Westminster Bank : Deposit account Certificate of Deposit	UK	A+	F1	1 year	30/11/2022 15/12/2021	01/12/2022 15/12/2022	Overnight 1 Year	50,000 2,000,000	0.01 0.56	2.88%	50,000	2,000,000		
Nordea Bank : Fixed term deposit	Finland	AA-	F1+	1 year	29/07/2022	30/01/2023	6 Months	2,000,000 2,000,000	2.45	2.81%		2,000,000		
Royal Bank of Canada : Certificate of Deposit	Canada	AA-	F1+	1 year	03/10/2022	03/10/2023	1 Year	3,000,000 3,000,000	5.30	4.22%		3,000,000		
Santander UK Bank : Fixed term deposit Certificate of Deposit	UK	A+	F1	6 months	18/11/2022 12/10/2022	20/02/2023 02/02/2023	3 Months 3 Months	2,000,000 2,000,000	3.35 3.60	5.62%		2,000,000 2,000,000		
Toronto Dominion Bank : Fixed term deposit Certificate of Deposit Certificate of Deposit	Canada	AA-	F1+	1 year	23/03/2022 11/07/2022 11/07/2022	23/03/2023 12/12/2022 07/07/2023	1 year 5 Months 1 year	2,000,000 2,000,000 2,000,000	1.86 2.08 2.84	8.43%		2,000,000 2,000,000 2,000,000		
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/11/2022	01/12/2022	Overnight	8,000,000	2.92	11.24%	8,000,000			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/11/2022	01/12/2022	Overnight	7,279,000	2.90	10.23%	7,279,000			
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	30/11/2022	01/12/2022	Overnight	0	2.89		-			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	30/11/2022	01/12/2022	Overnight	2,590,000	2.99	3.64%	2,590,000			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	30/11/2022	01/12/2022	Overnight	0	2.91		-			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	30/11/2022	01/12/2022	Overnight	8,000,000	2.87	11.24%	8,000,000			
Property Funds														
Hermes Property Unit Trust : Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000 1,000,000	3.54	1.41%				1,000,000
Local Authorities' Property Fund : 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	4.07 4.16	2.81%				1,000,000 1,000,000
Lothbury Property Trust : 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	2.90 2.80	2.81%				1,000,000 1,000,000
Multi Asset Funds														
Aegon Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000 1,750,000		2.46%		1,750,000		
Fidelity Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000 1,000,000		1.41%		1,000,000		
Ninety One Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000 1,500,000		2.11%		1,500,000		
					Total invested		71,169,000		100.00%		31,919,000	30,000,000	4,250,000	5,000,000

Number of investments	29	Average investment value £			2,454,000
Number of counter parties	22	Average counter party investment £			3,235,000
Group exposures:		Core £	Cash £	Combined £	%
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		2,000,000	50,000	2,050,000	2.88
Bank of Scotland + Lloyds (MAX 20%)		3,000,000	-	3,000,000	4.22
Property Funds Total				5,000,000	7.03
Multi Asset Funds Total				4,250,000	5.97

Total non-specified investments should be less than 60% of Investment balances 13.00%

Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2022.

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 25/11/22
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
UK Banks, Building Societies and other Financial Institutions :								
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	100 days
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	100 days
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
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
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

Non-UK Banks :

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
Royal Bank of Canada	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
Development Bank of Singapore	Singapore	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.

Money Market Funds (Minimum investment criteria AAA) :

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

Enhanced Cash Funds (Minimum investment criteria AAA) :

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

Goldman Sachs post CDS duration changed from 6 months to 100 days

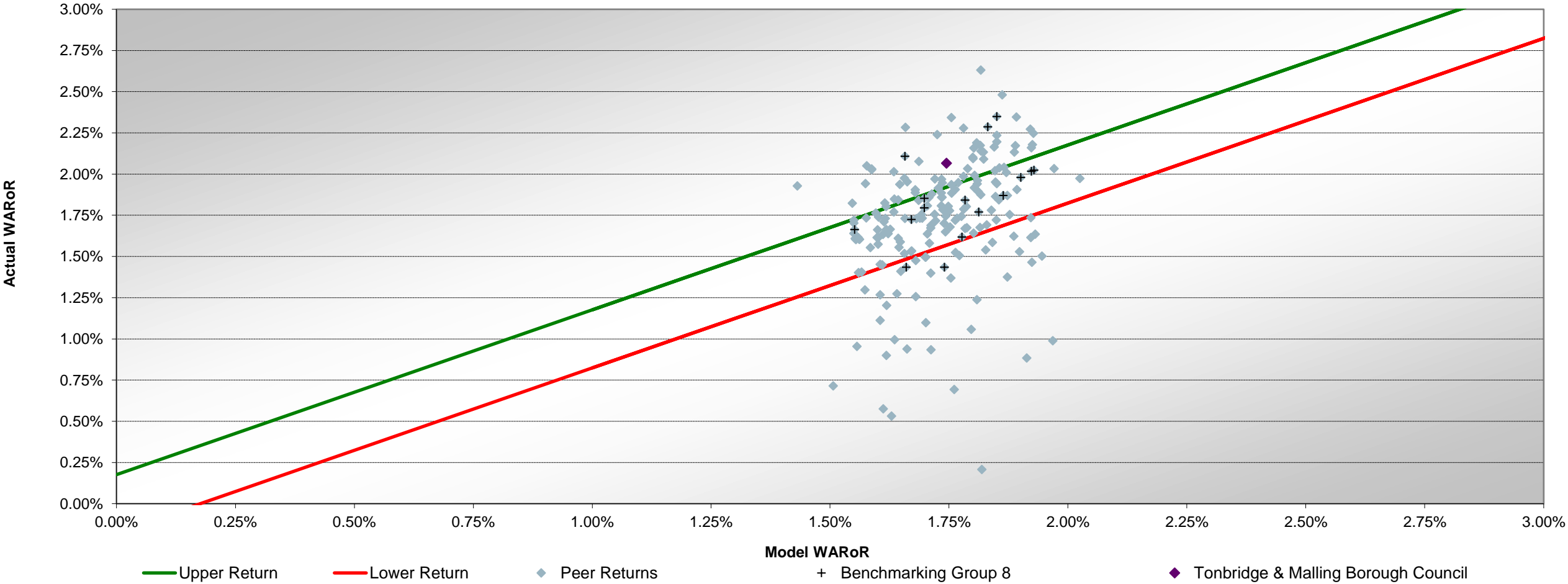
06 December 2022

note: Royal Bank of Canada added 21/09/2022, Development Bank of Singapore added 23/11/2022
note: Leeds Building Society removed 23/11/2022, Yorkshire Building Society removed 23/11/2022

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Tonbridge & Malling Borough Council

Population Returns against Model Returns



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	2.07%	1.75%	0.32%	1.57%	1.92%	Above

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Extract from O&S estimates presentation - January 2023. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	2022/23		2023/24
	ORIGINAL ESTIMATE £	REVISED ESTIMATE £	ESTIMATE £
4 <u>TREASURY MANAGEMENT</u>			
Employees			
Salaries	31,950	31,850	33,500
Supplies & Services			
Treasury Advisor & Dealing Fees	11,000	11,000	12,100
	<hr/>	<hr/>	<hr/>
	42,950	42,850	45,600
	<hr/>	<hr/>	<hr/>
Less Income			
Interest on:			
Cash Flow Investments	(10,850)	(218,000) b)	(526,000) b)
Core Cash Investments	(57,000)	(410,900) b)	(599,000) b)
Medium Term Investments	157,250	(153,000)	(153,000)
Long Term Investments	(172,000)	(170,000)	(180,000) c)
	<hr/>	<hr/>	<hr/>
	(397,100)	(951,900)	(1,458,000)
	<hr/>	<hr/>	<hr/>
<u>Sub-total</u>	(354,150)	(909,050)	(1,412,400)
	<hr/>	<hr/>	<hr/>
Central, Departmental & Technical Support Services			
Central Salaries & Administration	10,850	11,500	11,950
Information Technology Expenses	650	900	900
Departmental Administrative Expenses	16,800	17,350	17,950
	<hr/>	<hr/>	<hr/>
<u>TO SUMMARY</u>	(325,850)	(879,300)	(1,381,600)
	<hr/>	<hr/>	<hr/>
Full Time Equivalent Number of Staff (Including Support Service Staff)	0.91	0.90	0.91

- b) Reflects estimated impact of recent and anticipated further interest rate rises.
c) Assumes an increase in the return to be achieved.

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Treasury Management and Annual Investment Strategy 2023/24

1 Introduction

- 1.1 Treasury management is defined as:
‘The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.
- 1.2 The strategy covers:
- Statutory and regulatory requirements
 - Balanced budget requirement
 - Prudential and treasury Indicators
 - Borrowing requirement
 - Current treasury position
 - Prospects for interest rates
 - Investment policy
 - Creditworthiness policy
 - Country, counterparty and group exposure limits
 - Cash flow and core fund investment
 - Medium and long term investment
 - Year end investment report
 - Policy on use of external service providers.

2 Statutory and regulatory requirements

- 2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Chartered Institute of Public Finance (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- 2.2 The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

- 2.3 The Department for Levelling Up Housing and Communities, (DLUHC) issued revised Statutory Guidance on Local Government Investments (2018 Edition). CIPFA amended the Prudential Code for Capital Finance in Local Authorities (2017 Edition) and the Treasury Management in the Public Services: Code of Practice and Cross Sectorial Guidance Notes (2017 Edition). In December 2021 CIPFA published updates to the Treasury Management Code which has been taken into account in the 2023/24 Strategy.
- 2.4 Historically the scope of the statutory guidance and CIPFA codes was limited to the investment of an authority's cash surpluses and the management of borrowing undertaken to support its capital expenditure plans. The updated statutory guidance and codes broaden that scope to include expenditure on loans and the acquisition of non-financial assets (property) intended to generate a profit. The Council has not engaged in any commercial investments and has no material non-treasury investments.
- 2.5 The Council formally adopted the revised CIPFA Treasury Management Code of Practice (2017 Edition) on 30 October 2018 and in December 2021 CIPFA published updates to the Treasury Management Code. 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, including the Annual Investment Strategy, for the year ahead; a mid-year Review 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 the Treasury Management Strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

- 2.6 The scheme of delegation and role of the Section 151 officer that give effect to these requirements are set out at **[Appendix 1]**.

3 Balanced budget requirement

- 3.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and treasury indicators

- 4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 4.2 The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.
- 4.3 Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The 'Authorised Limit' is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.
- 4.4 Prudential and Treasury Indicators relevant to setting an integrated treasury management strategy are set out in **[Appendix 2]**.

5 Borrowing requirement

- 5.1 Other than for cash flow purposes and then within the limits set out at **[Appendix 2]** borrowing will not be necessary. All capital expenditure prior to 2029/30 is expected to be funded from the Revenue Reserve

for Capital Schemes, grants, developer contributions and capital receipts arising from the sale of assets. This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.

- 5.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

6 Current treasury position

- 6.1 The Council is debt free and as such the overall treasury position at 30 November 2022 comprised only investments. On that date the Council's cash flow and core fund investments totaled £61.9m and was invested in a mix of money market funds, bank notice accounts and time deposits with banks and building societies. The average duration to maturity of the portfolio was 62 days with a weighted average rate of return 2.97%. Returns in future years are expected to improve as Bank Rate increases are implemented. Income from investments forms part of the Council's ten-year medium term financial strategy (MTFS). An updated MTFS will be presented to Council in February 2023.
- 6.2 The Council held £5m in externally managed property fund investments at 30 November 2022. The property funds are expected to generate a stable income of 3.6% in 2023/24 and this level should continue in future years. Overtime, the rise in the value of each property funds' assets (capital appreciation) is expected to negate fund entry and exit costs.
- 6.3 The Council also held £4.25m in externally managed multi asset fund investments at 30 November 2022. The multi asset funds are expected to generate income of 3.6% in 2023/24 rising to 4% in future years. There are no exit costs associated with multi asset funds.
- 6.4 At present the Council has no material non-treasury investments (e.g. directly owned commercial property, shares in subsidiaries or loans to third parties). The procedures, practices and governance arrangements to enable the Council to meet the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments relating to non-treasury investments are referred to in the reports to Audit Committee 1 October 2018 and 20 January 2020. The Audit Committee report of 18 January 2021 was

endorsed by Council approving appropriate Non-treasury Management Practices.

7 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Link's current interest rate forecast is provided at **[Appendix 3]**. Link's expectation for Bank Rate, for each financial year ending March, are:

- 2023/ 2024 4.00%
- 2024/ 2025 3.00%
- 2025/ 2026 2.50%

7.2 The forecast may be overly optimistic (downside risks) dependent on:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- Bank of England acts too quickly, or too far, over the next year years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than currently anticipated.
- UK / EU trade arrangements if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risk, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

7.3 The forecast may be overly pessimistic (upside risk) dependent on:

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- The Government acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term US treasury yields rise strongly and pull gilt yields up higher than currently forecast.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields consequently.

7.4 Link's more detailed view of the current economic background is included at **[Appendix 4]**.

8 Investment policy

8.1 The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second, and then yield.

8.2 In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

8.3 Ratings are not the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment also takes account of information that reflects the opinion of the markets. To this end the Council engages with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.

8.4 Other information sources used includes the financial press, share price and other information relating to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties.

8.5 Investment instruments identified for use are listed in **[Appendix 5]** under 'specified' and 'non-specified' investment categories. Counterparty limits are detailed in section 10 below.

9 Creditworthiness policy

9.1 The creditworthiness service provided by Link has been progressively enhanced over the last few years and now employs a sophisticated

modelling approach using credit ratings from each of the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings are supplemented using the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

9.2 This modelling approach combines credit ratings, and any assigned credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour coded bands are also used by the Council to inform the duration of an investment and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

9.3 The selection of counterparties with a high level of creditworthiness is achieved by selecting institutions down to a minimum durational band within Link's weekly credit list of potential counterparties (worldwide). Subject to an appropriate sovereign and counterparty rating the Council uses counterparties within the following durational bands:

Yellow/Pink	5 years
Purple	2 years
Blue	1 year (UK nationalised Banks)
Orange	1 year
Red	6 months
Green	100 Days

9.4 The Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. Moody's tends to be more aggressive in giving low ratings than the other two agencies and adopting the CIPFA approach may leave the Council with too few banks on its approved lending list. The Link creditworthiness service uses a wider array of information than just primary ratings and in combination with a risk weighted scoring system undue preponderance is not given to any one agency's ratings.

- 9.5 All credit ratings are reviewed weekly and monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.
- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria its use for new investment is withdrawn immediately.
 - In addition to the use of credit ratings the Council is advised of movements in Credit Default Swap data against the iTraxx European Financials benchmark and other market data on a daily basis. Extreme market movements may result in a scaling back of the duration assessment or removal from the Councils lending list altogether.
- 9.6 Sole reliance is not placed on the use of the Link service. In addition the Council uses market information including information on any external support for banks to assist the decision making process.

10 Country, counterparty and group exposure limits

- 10.1 The UK Sovereign debt rating has been placed on Negative Outlook by the three major rating agencies and it is possible the UK Sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK and to be revisited at the Mid-Year Review.
- 10.2 The Council has determined that it will only use approved counterparties from the UK. Counterparties from other countries will be subject to a minimum sovereign credit rating of AA-. The minimum will be the lowest rating determined by Fitch, Moody's and Standard and Poor's. The list of countries that qualify using this credit criteria as at the date of this report are shown in **[Appendix 6]**. The list will be amended in accordance with this policy should ratings change.
- 10.3 Avoidance of a concentration of investments in too few counterparties or countries is a key to effective diversification and in this regard the limits set out below are thought to achieve a prudent balance between risk and practicality.

Country, Counterparty and Group exposure	Maximum Proportion of Portfolio
UK regulated institutions subject to UK Sovereign rating of A- or higher and the institution limits detailed below.	100%
Non-UK regulated institutions as an amount per sovereign rated AA- or higher and subject to the institution limits detailed below.	20%
Group of related institutions.	20%
Each financial institution rated Fitch A-, F1 or higher (green excluding CDS using Link's credit methodology) or each local authority.	20%
Each UK nationalised bank rated Fitch BBB, F2 or higher (green excluding CDS using Link's credit methodology).	20%
Each AAA rated multilateral / supranational bank.	20%
Each AAA rated CNAV, LVNAV or VNAV money market fund.	20%
Each AA or higher rated enhanced cash fund / government liquidity fund / gilt fund / ultra-short dated bond fund subject to a maximum 20% exposure to all such funds.	10%
Each housing association rated Fitch A- or higher and 20% for all housing association investment.	10%
Non-specified investments over 1 year duration.	60%
Each non-rated property fund used for long term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No cash limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A
Each non-rated diversified income (multi-asset) fund and or short dated bond fund used for medium term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No cash limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A

- 10.4 Cash flow balances vary depending on the timing of receipts and payments during the month and from month to month. The investment limits identified in paragraph 10.2 will be based on an estimate of the expected average daily cash flow balance at the start of the financial year augmented by core cash and other balances. Counterparty investments will be managed to ensure compliance with the limits at

the start and end of each financial year when balances available for investment will be at a low point.

11 Cash flow and core fund investment

11.1 Funds available for investment are split between cash flow and core cash. Cash flow funds are generated from the collection of council tax, business rates and other income streams. They are consumed during the financial year to meet payments to precept authorities and government (NNDR contributions) and to meet service delivery costs (benefit payments, staff salaries and suppliers in general). The consumption of cash flow funds during the course of a financial year places a natural limit on the maximum duration of investments (up to one year). Core funds comprise monies set aside in the Council's revenue and capital reserves and are generally available to invest for durations in excess of one year.

11.2 **Cash flow investments.** The average daily cash flow balance throughout 2023/24 is expected to be £12.5m with a proportion available for longer than three months. Cash flow investments will be made with reference to cash flow requirements (liquidity) and the outlook for short-term interest rates i.e. rates for investments up to 12 months. Liquidity will be maintained by using bank deposit accounts and money markets funds. Where duration can be tolerated, additional yield will be generated by utilising term deposits with banks and building societies and enhanced cash and government liquidity funds. Investment in ultra-short dated bond funds will also be considered. Cash balances available for more than 3 months may be transferred to the core fund portfolio if a better overall return for the Council can be achieved by doing so.

11.3 In compiling the Council's estimates for 2023/24 a return on cash flow investments of 4.18% has been assumed.

11.4 **Core fund investments.** Historically the Council's core funds have been managed by an external fund manager. All core funds were returned to the Council for in-house management during 2014/15. The core fund balance is diminishing as a proportion is consumed each year (approximately £2m per annum) to support the Council's revenue budget and capital expenditure plans. The average core fund balance during 2023/24 is expected to be £13.3m.

11.5 The Council will avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which

make longer term deals worthwhile and are within the risk parameters set by the Council.

- 11.6 In compiling the Council's estimates for 2023/24 a return on core fund investments of 4.28% has been assumed. Subject to the credit quality and exposure limits outlined in paragraph 10.2, liquidity and yield will be achieved by a mix of investments using predominantly fixed term deposits and certificates of deposit. Notice accounts, enhanced cash and government liquidity funds and ultra-short dated bond funds will also be used if these offer favourable returns relative to term deposits. Investment with housing associations and other local authorities will also be considered.

12 Medium and long term investment

- 12.1 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake medium term investment in either short dated bond funds and or diversified income funds (a mix of cash, bonds, equity and property) through externally managed collective investment schemes. Investment in such schemes typically implies a three to five year commitment to recoup entry and exit fees and mitigate the potential for a fall in the value of assets under management.
- 12.2 A detailed evaluation of a funds asset quality, market risk, redemption constraints, management and governance arrangements will be undertaken in advance of any investment taking place. Support to identify and select the most appropriate fund(s) will be sought from the Council's treasury advisor. Any sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds of 20% of expected long term cash balances, circa £3m.
- 12.3 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake long term investment in property through an externally managed collective investment scheme (fund). Investment in such schemes typically implies a 10 year commitment to recoup entry and exit fees. To mitigate the risk that capital values may fall due to changes in economic activity, investment duration cannot be determined with certainty at the time the investment commences. As a consequence any cash balances applied to such an investment must be available for the long term and there must be flexibility over the timing of redemption(s) in the future. Sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds from existing resources of 20% of expected long term cash

balances, circa £3m. No limit applies to new resources made available from the sale of existing assets or other windfalls.

13 Year end investment report

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

14 Policy on the use of external service providers

- 14.1 The Council uses Link Asset Services as its external treasury management advisors.
- 14.2 The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.
- 14.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Financial Services
January 2023

Appendices

1. Treasury management scheme of delegation
2. Prudential and treasury indicators
3. Interest rate forecasts
4. Economic background provided by Link Asset Services
5. Credit and counterparty risk management (TMP1)
6. Approved countries for investments

Appendix 1 Treasury management scheme of delegation

Full Council

- Budget approval.
- Approval of treasury management policy.
- Approval of the annual treasury management and investment strategy.
- Approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy.
- Approval of the treasury management outturn and mid-year reports.

Cabinet

- Budget consideration.
- Approval of the division of responsibilities.
- Approval of the selection of external service providers and agreeing terms of appointment.
- Acting on recommendations in connection with monitoring reports.

Audit Committee

- Reviewing the annual treasury management and investment strategy and making recommendations to Cabinet and Council.
- Receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet.
- Reviewing treasury management policy, practices and procedures and making recommendations to Cabinet and Council.

Finance, Regeneration and Property Select Scrutiny Committee

- Receiving budgetary control reports at regular intervals that include treasury management performance.

The S151 (responsible) officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Prepare and maintain effective treasury management practices (TMPs).
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a Capital Strategy and for ensuring the strategy is sustainable, affordable and prudent in the long term and that due diligence has been carried out to support each investment decision and those decisions are in accordance with the risk appetite of the authority.

Appendix 2 Prudential and treasury indicators

The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2023/24 report that is to be submitted to Cabinet on 14 February 2023.

The treasury management indicators are as set out in the table below:

TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	nil	7,000	7,000	7,000	7,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	7,000	7,000	7,000	7,000
Operational Boundary for external debt:-					
borrowing	nil	4,000	4,000	4,000	4,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	4,000	4,000	4,000	4,000
Actual external debt	nil	nil	nil	nil	nil
Upper limit for fixed interest rate exposure > 1 year at year end	nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	22,131 (40%)	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal sums invested for over 365 days at year end	9,250 (16.7%)	60% of funds			

Maturity structure of fixed rate borrowing during 2022/23 – 2025/26	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

A new Liability Benchmark indicator has been introduced in 2023/24. Whilst consideration has been given to the Liability Benchmark, this Council is debt free and therefore there is no debt maturity profile to report. The forecast net investment requirement for the next three years (excluding the liquidity allowance) is: 2023/24 £34.3m, 2024/25 £25.6m and 2025/26 £18.8m.

Appendix 3 Interest rate forecasts – December 2022

Link Group Interest Rate View 19.12.22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 mth ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 mth ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 mth ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20
Bank Rate													
Link	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
Capital Economics	3.50	4.50	4.50	4.50	4.50	4.25	4.00	3.50	--	--	--	--	--
5yr PWLB Rate													
Link	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
Capital Economics	4.10	4.00	3.80	3.70	3.50	3.50	3.40	3.30	--	--	--	--	--
10yr PWLB Rate													
Link	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
Capital Economics	4.10	4.00	3.80	3.70	3.60	3.50	3.40	3.40	--	--	--	--	--
25yr PWLB Rate													
Link	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
Capital Economics	4.60	4.40	4.20	4.00	3.80	3.80	3.70	3.60	--	--	--	--	--
50yr PWLB Rate													
Link	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20
Capital Economics	4.20	4.10	4.00	3.90	3.80	3.80	3.70	3.60	--	--	--	--	--

Appendix 4 Economic background based on text provided by Link Asset Services

- 1 **UK.** Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, the UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.
- 2 Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	10.7%/y/y (Nov)	10.1%/y/y (Nov)	7.1%/y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

- 3 Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q. This was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. CPI inflation has picked up to what is expected to be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
- 4 The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of circa 500k. The fact is that with many economic participants registered as long-term sick, the UK labour force has shrunk by circa 500k in the year to June. Without an increase in the labour force participation rate, it will be difficult for the UK economy to grow its way to prosperity. Average wage increases are running at over 6% is likely to give the MPC concern that wage inflation will prove just as difficult to manage as the major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.
- 5 Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

- 6 Globally, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction.
- 7 In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.
- 8 The pound has strengthened, recovering from a record low of £1.035, to £1.22. Notwithstanding the pound's better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- 9 **Central Bank Concerns.** In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.
- 10 The sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.
- 11 Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.
- 12 The Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Households have accumulated excess savings of circa £160bn through the Covid lockdowns which may provide a spending buffer for the economy. Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening / tightening in the interest rate outlook in the US may also have an effect.

Appendix 5 Credit and counterparty risk management (TMP1)

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified in the Annual Investment Strategy (Section 10).

Subject to the duration limit **where applicable** suggested by Link (+6 months for UK 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):

investment	Minimum Credit Criteria
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 Gov't)	AAA
Money market funds (CNAV, LVNAV or VNAV)	AAA
Enhanced cash / Government liquidity / Ultra-short dated bond funds	AA

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 - 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
Term deposits – housing associations	UK Sovereign A- Counterparty A-	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 and or short dated bond funds	N/A	N/A

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 6 Approved countries for investments

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy (Section 10). For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

This list will be reviewed and amended if appropriate on a weekly basis by the Director of Finance and Transformation.

As of 19 December 2022 sovereigns meeting the above requirement which also (except for Hong Kong and Luxembourg) have banks operating in sterling markets with credit ratings of green or above on the Link Asset Services' Credit Worthiness List were:

AAA	Australia
	Denmark
	Germany
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Canada
	Finland
	USA
AA	Abu Dhabi (UAE)
	France
AA-	Belgium
	Qatar
	UK

At 19 December 2022 the UK received a credit rating of AA-

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Non-treasury Management Practices

1 Introduction

- 1.1 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.
- 1.2 The Council will ensure that all its investments are covered in a capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.
- 1.3 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.
- 1.4 The Council recognises that many of the principles underlying treasury management practices will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly.
- 1.5 It is recognised that the Council may make investments for policy reasons outside of normal treasury activity, and these may include:
 - Service investments – these are held clearly and explicitly in the course of the provision, and for the purposes of, operational services, including regeneration
 - Commercial investments – these are undertaken for mainly financial reasons. They may include:
 - Investments as part of business structures, such as loans to and shares in subsidiaries.
 - Investments explicitly taken out with the aim of making a financial surplus for the council and include commercial properties
- 1.6 The investment practices for non-treasury investments detailed below will be complied with by all officers and agencies responsible for such investments. These practices will evolve over time and will be subject to annual review.

2 Risk management (NTMP 1)

- 2.1 Investment of the Council's cash surpluses and reserves is governed by the CIPFA Treasury Management Code of practice and DLUHC Statutory Guidance. These require authorities to prioritise security and liquidity over yield. Compliance aims to protect the value of sums invested and ensure funds are available to spend as spending commitments arise. Investment in equity, bonds or property are likely to fail the security and liquidity tests and are therefore considered inappropriate for short term cash surplus and reserve fund management purposes.
- 2.2 Commercial property covers a broad range of property uses and types including, retail outlets, office accommodation, warehouses, industrial units, and residential accommodation.
- 2.3 Risks associated with commercial property ownership include:
- Close correlation between value and changes in **GDP**. Values fall significantly in a downturn. Values rise when the economy is growing.
 - Property is **illiquid** both in terms of transaction times and price transparency.
 - **Tenant covenant strength** will impact on ability to meet rental payments, lease renewal, exercise break clauses and CVA.
 - **Valuations** are not a guarantee of sale price and may be subject to investor confidence / sentiment.
 - **Stock, sector, and geographic** risk will all impact on the value of a particular property.
 - Subject to **environmental risk** such as flooding and land contamination.
 - **Interest rate** changes not only affect the cost of borrowing but also bond / equity prices which may impact on the relative attractiveness of property.
 - Changes in **legislation and regulation** e.g. energy efficiency may involve additional cost to the investor.
 - Changes in **taxation** (stamp duty / SDLT) may affect value.
- 2.4 Risks will be explored in the property acquisition business case and through regular monitoring of the property market post acquisition. Nevertheless, risk will persist.
- 2.5 A risk assessment is provided at **[Appendix 1]**.

3 Decision making, governance and organisation (NTMP 2)

- 3.1 Any new commercial property investment will be subject to a business case that meets HM Treasury Green Book standards. The report seeking Capital Plan budget provision will follow the normal budget approval process (O&S, Cabinet and Council).
- 3.2 Day to day management of commercial property investments is delegated to the Director of Central Services (DCS). The DCS will undertake that management using in-house resources or appoint specialist external agents where appropriate. Functions include:
- Collection of rent & service charges
 - Establishing lease terms
 - Advertising vacant units
 - Negotiating tenant lease agreements
 - Monitoring the commercial property market
 - Undertaking annual property revaluations
- 3.3 New lease agreements will be certified, without delegation, by the DCS. Any rent free periods and other tenant inducements will be reported under the reporting arrangements detailed in NTMP 4.
- 3.4 The Director of Finance and Transformation will undertake a periodic reconciliation of income and expenditure. Internal audit, subject to a risk assessment, will review commercial property activity.

4 Performance management (NTMP 3)

- 4.1 Baseline performance requirements for commercial properties will be drawn from the business case submitted as part of property purchase approval. Gross income, service costs and tenant arrears will be monitored against baseline on a quarterly basis. Variation from a pre-determined tolerance level will trigger a report to the Council's Management Team and, if appropriate, will be escalated in accordance with NTMP 4.
- 4.2 Performance of the Council's commercial property function and that of any associated external support will be monitored and reviewed annually to ensure best practice and value for money are being achieved.

5 Reporting and management information (NTMP 4)

- 5.1 An information report setting out the performance of the Council's commercial property investments will be prepared by the Director of

Central Services and submitted to Members. Reports will be subject to prior consideration by the Council's Management Team.

- 5.2 Reports will include:
- A commentary on commercial property market conditions
 - Gross income against budget
 - Income performance against benchmark
 - Operating costs
 - Changes in occupancy
 - Changes to existing lease agreements / new lease agreements
 - Tenant arrears
 - Market value (to be reported annually).
- 5.3 Commercial property investment performance against budget will also be incorporated in the financial planning & control reports submitted to members.
- 5.3 Any extraordinary issues that are likely to generate a change in budget requirement will be subject to endorsement by Cabinet and approval by Council.

6 Training and qualifications (NTMP 5)

- 6.1 Members and officers involved in the property investments decision making process need to have appropriate capacity, skills, and information to enable them to take informed decisions as to whether to enter into a specific property investment.
- 6.2 The Councils employs qualified property, legal and finance officers to manage activity and provide advice within their respective disciplines. Specialist external advisors will be engaged where appropriate. Member training will be provided in-house or by external agents when required.

Property Investment – Risk Register

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets.	4	4	16	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Annual Valuation.
Upturn in property market	Purchase cost of potential assets increases.	4	3	12	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Annual Valuation.
Increase in interest rates (borrowing)	Cost of borrowing where adopted increases with detrimental impact on income.	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential investments	4	3	12	Consider revising income return criteria upwards. Consider disposal of assets for re-investment.
Available opportunities	Market opportunities meeting investment criteria not available.	4	3	12	Identify opportunities early and move swiftly to acquire.
Changes in Tenant demand	Certain types of property may become less favorable with tenants.	3	3	9	Consider alternative use at acquisition. Construct a varied portfolio by use.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out.	3	3	9	Ensure full repairing and insuring leases are in place via pre-purchase due diligence. Have building surveys undertaken to establish condition of building.
Tenant default	Loss of rental income, increased costs incurred.	3	3	9	Undertake financial due diligence of tenants pre-purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc. Costs of re-letting.	3	3	9	Monitoring tenancies as described above. Move quickly to appoint letting agents should a “void” period appear likely. Act expediently in concluding legal process of letting.
Government Legislation - Energy Performance (Minimum Energy Efficiency Standards, MEES)	From 1 April 2018 it is illegal for a landlord to grant a new letting of a commercial property that has an EPC of below E.	4	3	12	Undertake appropriate pre purchase due diligence to establish what the EPC rating of a property is and purchase accordingly. Identify if opportunities exist to increase the EPC rating appropriately.
Illiquidity of Property Assets	Asset identified for disposal to raise capital receipt or for reinvestment.	4	4	16	Ensure that assets are kept “sale ready” in terms of documentation and information.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Staff Resources	Lack of suitably professionally qualified staff.	3	3	9	Ensure that appropriately professionally qualified staff, with experience in Property Investment, are available to act on the Council's behalf.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	4	3	12	Ensure that increased holding costs are factored into purchase valuations. Appoint external professionals to manage landlord and tenant processes. Ensure that tenant deposits are taken.

Assessing risks

Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact □			Negligible	Marginal	Significant	Critical

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 ACCOUNTING POLICIES

This report presents the Accounting Policies proposed for the 2022/23 Financial Statements for consideration and endorsement.

1.1 Introduction

1.1.1 The Accounting Policies to be used in the preparation of the 2022/23 Financial Statements are attached at **[Annex 1]** for Members' consideration and endorsement.

1.1.2 This latest review found, other than a few minor textual changes, that no changes were required to the Accounting Policies to be adopted for the 2022/23 Financial Statements.

1.2 Legal Implications

1.2.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

1.3 Financial and Value for Money Considerations

1.3.1 As set out in the Accounting Policies.

1.4 Risk Assessment

Failure to adequately follow Accounting Policies could result in misrepresentation and potential qualification of the Accounts.

1.5 Equality Impact Assessment

1.5.1 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.

1.6 Recommendations

- 1.6.1 Members are asked to **consider** and, subject to any required amendments, **endorse** the Accounting Policies to be used in the preparation of the 2022/23 Financial Statements as set out at **[Annex 1]**.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation

1. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23*. The Code is based on levels of approved accounting standards:

- International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB).
- International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC).
- Interpretations originating from the International Financial Reporting Interpretations Committee (IFRIC).
- Interpretations originating from the Standing Interpretations Committee (SIC).
- International Public Sector Accounting Standards (IPSAS) approved by the International Public Sector Accounting Standards Board (IPSASB).
- Financial Reporting Standards (FRS) approved by the Accounting Standards Board (ASB).
- Statements of Standard Accounting Practice (SSAP) approved by the Accounting Standards Committee (ASC).
- Urgent Issues Task Force's (UITF) Abstracts.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

b) Qualitative Characteristics of Financial Information

- Relevance - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- Reliability - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- Comparability - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- Materiality - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.

- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

d) Accruals and Revenue Recognition

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. • Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Income from garden waste customers is apportioned between years to account for the service that they have paid for in the current and following financial years.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles are electricity, gas and similar periodical payments (excluding council offices) which are charged at the date of meter reading rather than being apportioned between financial years; and penalty charge notices, income from car parks, land charges income, licensing fees and planning application and building control fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

e) Assets Held for Sale

Non-current assets that have been identified for sale by the Council will be reclassified as current assets when the asset is being actively marketed and has a high probability of sale within twelve months of the Balance Sheet date.

f) Cash and Cash Equivalents

Internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value). Externally Managed funds normally comprise of investments that cannot be easily realised and are excluded from this heading.

g) Council Tax and National Non-Domestic (Business) Rates

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, Police and Crime Commissioner for Kent and Kent Fire and Rescue in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.

In addition, included in the Comprehensive Income and Expenditure Statement is our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

h) Contingent Assets and Liabilities

Contingent assets should not be recognised in the accounting statements, they should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures should indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities should not be recognised in the accounting statements, they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability the Council should disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

i) Debt Write-Off

The Director of Finance and Transformation approves and or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Director of Finance and Transformation there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs the Director of

Finance and Transformation makes an impairment allowance taking into account the size and age of the debt outstanding and the likelihood of recovery.

j) Employee Benefits

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories.

Benefits Payable during Employment

This covers:

- Short-term employee benefits, such as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees, but payable twelve months or more after the end of the reporting period (e.g. long-service awards).

Termination Benefits

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus / deficit in a pension scheme. The surplus / deficit in a pension scheme is the excess / shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation was on 31 March 2022 and will determine contribution rates for the three-year period from April 2023 to March 2026.

k) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 30 September 2023.

Events arising after the Balance Sheet date and before either of the two dates above will be reflected in the Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included (adjusting events). Such events:

- could materially alter an estimate of, for example, debtors, creditors or an impairment allowance previously identified in the accounting processes;
- could substitute a materially different actual figure for an estimate; or
- could reflect a permanent impairment or betterment in the financial position, but only where the originating event took place prior to the year-end and the amounts are considered material to the Accounts.

l) Exceptional Items and Prior Period Adjustments

Exceptional items, when they occur, are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts. A description of any exceptional items will be given within the notes to the Accounts.

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

m) Financial Instruments

Financial instruments are broken down between financial assets (cash, investments and some categories of debtors) and financial liabilities (loans payable and some categories of creditors).

Although there are three classifications for the valuation of financial instruments, only two are relevant to the types of investments held by the Council, being either amortised cost or fair value through profit and loss (Comprehensive Income and Expenditure Statement).

Debtors and creditors are measured at fair value and are carried in the Balance Sheet at amortised cost.

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as amortised cost or fair value through profit and loss.

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market, these are measured at fair value and are carried on the Balance Sheet at amortised cost.

Assets classified as fair value through profit and loss have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value through profit and loss.

Accrued interest is shown as part of the investment balance. This is a departure from the Code which requires accrued interest to be shown as part of the debtors balance. Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment.

Gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Statute however requires unrealised gains and losses on investments classified as fair value through profit and loss to be subsequently transferred via the Movement in Reserves Statement to the Balance Sheet.

n) Foreign Currency Transactions

Any gains or losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of payment or receipt.

o) Government Grants and Other Contributions

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Statement in the same period as the related expenditure was incurred.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

p) Inventories

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS 2 (Inventories), which require stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

q) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

Finance Leases

The Council currently has no finance lease arrangements where it is the lessor or where it is a lessee.

Operating Leases

Lease payments under an operating lease shall be recognised as income or an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council where the Council is a lessor or lessee respectively.

r) Non-Current Assets

The Council has set a de-minimis level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. IT equipment is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.

Property, plant and equipment is split into five classes as described below.

Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets
Community Assets	Assets Under Construction	

The policy for each type of asset is explained as follows.

Land and Buildings

The Borough Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. The programme is as follows:

Asset Category	Year of Valuation	
Leisure Premises	2017/18	Completed
Properties for Community Use	2018/19	Completed
Public Conveniences	2019/20	Completed
Council Offices	2020/21	Completed
Car Parks	2021/22	Completed
Leisure Premises	2022/23	

In addition to the valuation of the asset category above the Code requires the Council to consider material changes in other assets not due for revaluation in year under the five year rolling programme. The Council's external valuers will undertake interim valuations in respect of our major assets, i.e. council offices, leisure premises and car parks where appropriate. Where the interim valuation shows a movement of £100,000 or more the Balance Sheet values will be updated accordingly. The Council's external valuers will also advise annually on any further work required to identify material changes in asset valuations.

The valuations reviews are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS) and based on the market value for existing use or where a market value cannot be determined as the property is of a

specialist nature the depreciated replacement cost. The method used on the current year's valuation will be explained in the notes to the Accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 125 years depending on the building. In accordance with the Code land is not depreciated.

The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is significant in relation to the gross book value of the asset.

Vehicles, Plant and Equipment

Vehicles, Plant and Equipment, other than plant that is integral to the operation of a building, are recognised in the Balance Sheet at historic cost and are subject to straight line depreciation over a period of between 2 and 30 years.

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are street furniture, footpaths and signage.

These assets are carried on the Balance Sheet at historic cost.

These assets are subject to straight line depreciation over a period of between 3 and 40 years.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and open spaces.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

Assets under Construction

This covers assets not yet ready for operational use, but expected to be operational within twelve months of the Balance Sheet date. Assets under Construction are not subject to revaluation or depreciation.

Heritage Assets

Heritage assets are defined as historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Heritage assets where the Council holds information on their cost or value are to be recognised on the Balance Sheet which will normally be its insured value. Where the Council does not hold

information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts such details as the Council holds are to be included in the notes to the financial statements.

Heritage assets are not subject to depreciation.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

Intangible Assets

These are non-current assets that do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible Assets held by this Council currently consist of IT software and associated costs.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

Impairment of Non-Current Assets

A review for impairment of a non-current asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a non-current asset's market value during the period;
- evidence of obsolescence or physical damage to the non-current asset;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates; and
- a commitment by the Council to undertake a significant reorganisation.

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist or written off to revenue through the Comprehensive Income and Expenditure Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer assessing the value of the impairment.

Gains or Losses on Disposal of Non-Current Assets

When an asset is disposed of or de-commissioned, the net book value of the asset and the receipt from the sale are both charged to the Comprehensive Income and Expenditure Statement which could result in a net gain or loss on disposal.

Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10,000 are considered de-minimis and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

s) Overheads

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on Services and costs of buildings are apportioned on a floor area basis.

t) Provisions

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise. Provisions are recognised when:

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

u) Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building repairs reserve are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure

Statement, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

v) Revenue Expenditure Funded from Capital Under Statute

This is expenditure of a capital nature on non-current assets not owned by the Council, for example house renovation grants. Under the Code this is revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources. In our case such expenditure is mainly funded from reserves.

w) Value Added Tax (VAT)

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

Report of the Director of Central Services and Deputy Chief Executive

Part 1- Public

Delegated

1 ANNUAL REVIEW OF WHISTLEBLOWING POLICY

This report informs Members of the outcome of the annual review of the Council's Whistleblowing Policy and Procedure, together with the external Whistleblowing Policy.

1.1 Introduction

1.1.1 The Whistleblowing Policy and Procedure provides employees and Members with information about how they may report concerns regarding breaches of laws, regulations, policies or procedures committed by other employees or Members of the Council. It also outlines how the Council will deal with those concerns once they have been reported.

1.1.2 The external Whistleblowing Policy provides the public and those that provide services to the Council who may witness wrongdoing by employees or Members about how to raise a concern.

1.2 Whistleblowing Policy

1.2.1 The Whistleblowing Policy and Procedure and external Whistleblowing Policy were last reviewed by the Committee in January 2022.

1.2.2 This latest review found that the procedures were duplicated in the policy document and have been removed. In addition, some of the language included in the policy has been changed to encourage staff to speak out. A copy of the Whistleblowing Policy and Procedure is attached at **[Annex 1]** and **[Annex 2]** respectively. The external Whistleblowing Policy is attached at **[Annex 3]**.

1.2.3 The intention in future is for these documents to be reviewed every two years. Any significant changes required due to changes in legislation or risks to be brought to the next available Committee.

1.3 Action Following Approval of the Policies

- 1.3.1 The policies, once approved, will be circulated to all staff with computer access using Netconsent and made available on the Council website as appropriate.

1.4 Legal Implications

These policies are not mandatory but do comply with best practice and refer to the relevant legislation where appropriate.

1.5 Financial and Value for Money Considerations

- 1.5.1 Providing clear guidelines to employees, Members and the public on how they may report concerns strengthen the Council's zero tolerance approach to inappropriate conduct or fraud.

1.6 Risk Assessment

- 1.6.1 While there is no statutory requirement to have an appropriate mechanism for dealing with whistleblowing, it is relevant to helping the Council comply with associated law. Failure to have an adequate whistleblowing mechanism carries significant reputational risk.

1.7 Equality Impact Assessment

- 1.7.1 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.

1.8 Policy Considerations

- 1.8.1 Crime & Disorder Reduction

1.9 Recommendations

- 1.9.1 Members are asked to review and, subject to any required amendments, **recommend** that the Whistleblowing Policy **[Annex 1]** and Procedure **[Annex 2]** and external Whistleblowing Policy **[Annex 3]** are approved by the next General Purposes Committee.

Background papers:

contact: James Flannery

Nil

Adrian Stanfield

Director of Central Services and Deputy Chief Executive

WHISTLEBLOWING POLICY

Document Owner:	Adrian Stanfield Director of Central Services and Deputy Chief Executive
Version:	Version 8

Document Review History

Version	Reviewed	Reviewer	Approver	Date Approved
Original	N/A	Audit Assurance Manager	Audit Committee	27 January 2014
5	December 2019	Audit Assurance Manager	General Purposes Committee	27 January 2020
6	December 2020	Audit Assurance Manager	General Purposes Committee	25 January 2021
7	December 2021	Audit Assurance Manager	General Purposes Committee	31 January 2022
8	December 2022	Audit Manager	?	?



January 2023

TONBRIDGE & MALLING BOROUGH COUNCIL WHISTLEBLOWING POLICY

A confidential reporting policy for all Members, employees and contractors

1. Introduction

- 1.1 Tonbridge & Malling Borough Council operates within legal requirements and regulations and expects its employees to co-operate in this by adhering to all laws, regulations, policies and procedures. The Council recognises that employees are often the first to realise that there may be something seriously wrong within the Council. The Council is aware that staff may be fearful of harassment or victimisation in voicing these concerns, however the purpose of this policy is to mitigate against this. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Public Interest Disclosure Act 1998 (the 1998 Act) contains measures which help to promote greater openness between employers and employees in the workplace and supports a structure for whistleblowing. The 1998 Act:
- a) *is designed to give statutory protection to employees who “blow the whistle” on their employer’s malpractice*
 - b) *although not requiring the Council to set up an appropriate mechanism for dealing with whistleblowing, makes clear the important role that such a mechanism can play in helping the Council comply with the law.*
- 1.3 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we expect and support employees, and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. This policy is intended to encourage and enable individuals to raise concerns within the Council, without fear of reprisals, rather than overlooking a problem or “blowing the whistle” outside. The policy does, however, recognise that individuals must be able to take matters further if they are dissatisfied with the Council’s response.

2. Definition of Whistleblowing

- 2.1 *‘Whistleblowing’ means the disclosure of malpractice or wrongdoing within an organisation.*

3. Aims and Scope of this Policy

- 3.1 The Whistleblowing Policy aims to:
- Encourage you to feel confident about raising concerns and to question and act on those concerns

- Provide a way for you to raise concerns and receive appropriate feedback on any action taken
- Confirm that all concerns raised will be examined and the Council will assess what action should be taken
- Reassure you that you will be protected from possible reprisals or victimisation if you have made a disclosure in good faith
- Provide ways for you to take the matter further if you are dissatisfied with the Council's response

3.2 The *Whistleblowing Policy* is intended to cover concerns that fall outside the scope of the Council's Grievance Procedure which enables employees to lodge a grievance relating to their employment.

This Policy is also intended to cover concerns that fall outside the scope of the Council's corporate complaints procedures and other statutory reporting procedures. These may include:

- Any unlawful act, whether criminal (e.g., theft) or a breach of the civil law (e.g., slander or libel)
- Health and safety risks, including risks to the public as well as to other employees (e.g., faulty electrical equipment)
- Damage to the environment (e.g., pollution)
- The unauthorised use of public funds (e.g., expenditure for improper use)
- Possible fraud and corruption
- Inappropriate or improper conduct (e.g., abuse of power, bullying/harassment)
- Serious failure to comply with appropriate professional standards (e.g., National Code of Local Government Conduct)
- Breach of Council or statutory codes of practice or the Council's standing orders (e.g., Officers' Code of Conduct) Discrimination on the grounds of Age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.
- Abuse of children and vulnerable adults (e.g., through physical, sexual, psychological or financial abuse, exploitation or neglect)
- Other unethical conduct

4. Who does this Policy Cover?

4.1 This policy applies to disclosures made in relation to or by:

- Any employee of the Council, either under contract of employment or apprenticeship
- Any Councillor of the Council
- Any contractors, their agent, subcontractors and suppliers working with or on behalf of the Council
- Consultants and agency staff working with or for the Council
- Any organisation working in partnership with the Council

5. Supporting the Individual Raising a Concern

5.1 **Harassment or Victimisation:** The Council is committed to good practice and high standards. The Council also recognises that the decision to report a concern can be a difficult one to make. It will not tolerate harassment or victimisation of whistle-blowers and will take action to protect individuals who raise concerns in good faith.

Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect the individual. However, this does not mean that if the individual is already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of raising a concern under this policy.

5.2 **Confidentiality:** Individuals are encouraged to put their name to any allegation; however, you are not required to do so and can make a report anonymously. Anonymity can hamper any investigation should further information be required however anonymous reports will be considered, taking into account:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from attributable sources

All concerns will be treated in confidence and the Council will do its best to protect the individual's identity when they do not want their name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by the individual raising the concern may be required as part of the evidence. If the situation arises where the Council is not able to resolve the concern without revealing the individual's identity, this will be discussed with the individual to identify how the matter can be progressed.

- 5.3 **Untrue Allegations:** Any individual who makes an allegation in good faith, but which is not subsequently confirmed by the investigation, will have no action taken against them. If however, an individual makes malicious or vexatious allegations or an allegation for personal gain, disciplinary action may be taken against them.

Review and Approval of this Policy

- 5.1 This Policy is owned by the Director of Central Services and Deputy Chief Executive and reviewed by the Audit Assurance Manager on his behalf.
- 5.2 The Whistleblowing Policy will be reviewed at least every two years by the Audit Committee for recommendation to the General Purposes Committee for approval. The most recent review was undertaken in January 2023 with the next review due January 2025.

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Whistleblowing Procedure Speaking Up About Wrongdoing

Document Owner	Adrian Stanfield Director of Central Services & Deputy Chief Executive
Version	Version 3

Version	Reviewed	Reviewer	Approver	Date Approved
Original				
2	08 November 2021	Counter Fraud Manager	General Purposes Committee	31 January 2022
3	12 December 2022	Counter Fraud Manager		



January 2023

1. Introduction

- 1.1. It is important for individuals (employees, Councillors, agency workers, volunteers and those contractors working on TMBC premises) to have an appropriate means to raise concerns if they believe that something is seriously wrong within Tonbridge & Malling Borough Council.
- 1.2. You may become aware of, or directly witness, situations or conduct that makes you feel uncomfortable, or you regard as inappropriate. The Whistleblowing Procedure provides a means for you to raise concerns about matters not related to your own employment or your work within TMBC but which you feel need to be examined. Examples of the type of matters that could lead to you wishing to raise a whistleblowing concern are:
 - Conduct which is, has been or is likely to be an offence or breach of law
 - Conduct that has occurred, is occurring or is likely to occur the result of which the Council fails to comply with a legal obligation. For example, unauthorised use of public funds, possible fraud and corruption, sexual or physical abuse of clients, or other unethical conduct discrimination of any kind and waste/frivolous expenditure
 - A concern that a TMBC employee (or someone working with us) or a service user may be at risk of being drawn into extremism and terrorism (See para 10.1)
 - Disclosures related to past, current or likely miscarriages of justice
 - Past, current or likely health and safety risks, including risks to the public as well as other employees (see below)
 - Past, current or likely damage to the environment
 - Concerns about any aspect of service provision
 - Other concerns regarding the conduct (including breaches of known standards or TMBC's Standing Orders) of officers or TMBC Members or others acting on behalf of TMBC
- 1.3. This document outlines the process that will be followed in the event of a whistleblowing concern being raised.

2. Other Procedures

- 2.1. This procedure is separate from the Council's Complaints Procedures and other statutory reporting procedures applying to some Directorates. Managers are responsible for making service users aware of these procedures.
- 2.2. Any investigation into allegations of potential malpractice under this procedure will not influence or be influenced by any disciplinary or redundancy procedures that already affect an individual.
- 2.3. Tonbridge & Malling Borough Council's Safety Complaints Procedure should be used to raise any issues, concerns or complaints of a health and safety nature and which are not confidential.

- 2.4. If, as an employee, you wish to raise a concern regarding issues relating to your own employment TMBC has a Grievance Procedure that you can use. Further information on this document can be found on StaffNet.

3. How to Raise a Concern

General

- 3.1. Concerns can be raised verbally or in writing. A concern should:

- Set out the background and history of the concern, giving names, dates, and places where possible
- Give the reason why you are particularly concerned about the situation

- 3.2. The earlier a concern is raised the easier it is to act. Although you are not expected to prove beyond doubt the truth of an allegation, you need to demonstrate to the person contacted that there are sufficient grounds for your concern. A trade union or professional association may raise a matter on your behalf.

- 3.3. If you intend to raise a whistleblowing concern you are encouraged to include your name. If you specifically request for your name not to be released during the examination of your concern, all efforts will be made for this information to remain confidential. However, if you are required to participate in the process as a witness, it may not be possible for your name to be withheld.

- 3.4. In the event of anonymous allegations being received, this should be sent to one of the Senior Management contact points and/or Internal Audit who will determine whether it is possible and appropriate for the allegations to be examined.

Step One – Raising a Concern

- 3.5. Whenever possible you should raise your concern with your immediate manager or his/her manager, who can, if needed, seek guidance and advice from one of the Senior Management Contact Points. If this is not appropriate or you feel your concerns are not being addressed, you should approach the following officers and Senior Management contact points who support Directors according to the nature of the concern:

Directorate	Contact Name	Email
Chief Executive	Julie Beilby	Julie.Beilby@tmbc.gov.uk
Director of Central Services & Deputy Chief Executive	Adrian Stanfield	Adrian.Stanfield@tmbc.gov.uk
Director of Finance & Transformation	Sharon Shelton	Sharon.Shelton@tmbc.gov.uk

Director Street Scene, Leisure & Tech Services	Robert Styles	Robert.Styles@tmbc.gov.uk
Director of Planning, Housing and Environmental Health	Eleanor Hoyle	Eleanor.Hoyle@tmbc.gov.uk
Audit Manager	Richard Benjamin	richard.benjamin@kent.gov.uk
Counter Fraud Manager	James Flannery	james.flannery@tmbc.gov.uk

- 3.6. Members should raise a concern in the first instance with the Chief Executive, Monitoring Officer or S151 Officer. Employees should raise concerns in the first instance with their immediate Line Manager or Service Manager, if possible. Similarly, non-employees (e.g., agency workers or contractors) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.

Whistleblowing Hotline

- 3.7. Internal Audit is independent and provides objective assurance and consulting activity designed to add value and improve an organisation's operations. If you wish to raise any type of Whistleblowing concern directly with the Audit Manager (anonymously if necessary) please call the Whistleblowing helpline on 03000 414500 or email fraud@tmbc.gov.uk.

Step Two - How Tonbridge & Malling Borough Council will respond

- 3.8. The action TMBC takes will depend on the nature of the concern. The matters raised may:

- Internal investigation by management, the Audit Manager or via disciplinary or other internal process/es
- Referral to the Police
- Referral to the External Auditor
- The subject of an independent inquiry.

- 3.9. You will be contacted in writing within ten working days of your concern being raised

- Acknowledging that the concern has been received
- Indicating how the Council proposes to deal with the matter
- Giving an estimate of how long it will take to provide a final response
- Informing you if any initial enquiries have been made
- Whether further investigations will take place and, if not, why not.

- 3.10. To protect individuals and TMBC, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or

allegations which fall within the scope of specific procedures (e.g., child protection or discrimination issues) will normally be referred for consideration under those procedures.

- 3.11. An appropriate manager will conduct preliminary enquiries into the matters you have raised. In order to determine whether your concern needs to be formally investigated the manager will seek advice from the HR Team and, where appropriate, safeguarding professionals, Internal Audit or the Counter Fraud Manager.
- 3.12. When any meeting is arranged you have the right to be accompanied by a trade union representative or a workplace colleague who is not involved in the area of work to which the concern relates.
- 3.13. The formal investigation will identify what, if any, action is required to address the concerns you identified via the Whistleblowing Procedure. This may involve disciplinary action against another TMBC employee or the involvement of agencies such as the Police or the External Auditor.
- 3.14. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

Recording Concerns

- 3.15. Each directorate will be responsible for maintaining their own whistleblowing log. Managers who receive a concern should send details to their relevant directorate contact as above. The log will include the area of business that have been affected, a summary of the concerns being raised, action taken and the resulting outcome.
- 3.16. Internal Audit maintains a central record of whistleblowing concerns. Directorates will be required to provide a copy of their whistleblowing log on a quarterly basis to the Audit Manager for inclusion into the central log to ensure a complete record is maintained.
- 3.17. Managers that receive Whistleblowing concerns must report the matter to the above departmental contacts and Internal Audit for inclusion on the central record by sending the details to fraud@tmbc.gov.uk with the subject line 'Whistleblowing'.
- 3.18. Tonbridge & Malling Borough Council has an [Anti-Fraud, Bribery and Corruption Policy](#) and all suspected financial irregularities must be reported to the Audit Manager.

Protection from Reprisals and Victimisation

- 3.19. Tonbridge & Malling Borough Council does not tolerate reprisals, victimisation or harassment and will take all reasonable action to protect you if you raise a concern via the Whistleblowing Procedure. The Council will treat any reprisals, victimisation or harassment as a serious matter and if this involves a TMBC employee it will be investigated in accordance with the Disciplinary Procedure. In the event of a disciplinary case being found, this could potentially result in the person's dismissal.

Public Interest Disclosure

3.20. Public Interest Disclosure Act 1998 gives employees two safeguards in respect of disclosures of information.

- An employee is entitled not be subjected to any detriment by virtue of having made a protected disclosure.
- The dismissal of any TMBC employee directly due to the individual having made such a disclosure will automatically be unfair

Support

3.21. Tonbridge & Malling Borough Council will take steps to minimise any difficulties you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, TMBC will advise or arrange for you to have advice about the procedure.

3.22. TMBC accepts that you need to be assured that concerns will be properly addressed and, subject to legal constraints, will provide information about the outcomes of any investigations.

Contact

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

4. How the Matter can be taken further

4.1. This procedure is intended to reassure you and provide clear information to help you raise concerns in confidence and directly with the Council.

4.2. The Council hopes you will be satisfied with its response. If you are not, or if you feel for any reason, you cannot raise the matter directly with TMBC then alternative contact points are listed below.

4.3. Please be assured that we would rather you raised a matter with an appropriate regulator or outside body than not at all.

Contact Details (External Organisations)	Details
Grant Thornton (The Council's external auditors)	Address: 30 Finsbury Square, London, EC2A 1AG Tel no. 020 7383 5100
The Local Government and Social Care Ombudsman	Address: PO Box 4771, Coventry, CV4 0EH Email: advice@lgo.org.uk Website: www.lgo.org.uk Tel no. 03000 061 0614

The Equalities and Human Rights Commission	Address: FREEPOST Equality Advisory Support Service FPN4431 Email: correspondence@equalityhumanrights.com Website: www.equalityhumanrights.com Tel no. 0808 800 0082
The Health and Safety Executive (Regional Office)	Address: Health and Safety Executive, International House Dover Place Ashford Kent TN23 1HU Website: www.hse.gov.uk Tel no. 0845 345 0055
The Environment Agency (Regional Office)	Address: National Customer Contact Centre PO Box 544 Rotherham S60 1BY Email: enquiries@environmentagency.gov.uk Website: www.environment-agency.gov.uk Tel No. 0370 850 6506
Citizens Advice	Please refer to website for local information Website: www.citizensadvice.org.uk
Police	Please refer to website for local information Website: www.kent.police.uk Tel No. Non emergencies 101
Borough Councillors	Please refer to the website: Website: https://democracy.tmbc.gov.uk
Protect – Free Confidential Whistleblowing advice	Tel No: 020 3117 2520 Website: www.protect-advice.org.uk
Whistleblowing: List of prescribed people and bodies	Website: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

5. Reporting

- 5.1. Anonymised information on the number of referrals, concerns and outcomes will be reported by the whistleblowing policy owner on a yearly basis to the Audit Committee. This is to provide assurance on the communication strategy and current awareness of whistleblowing across the organisation.

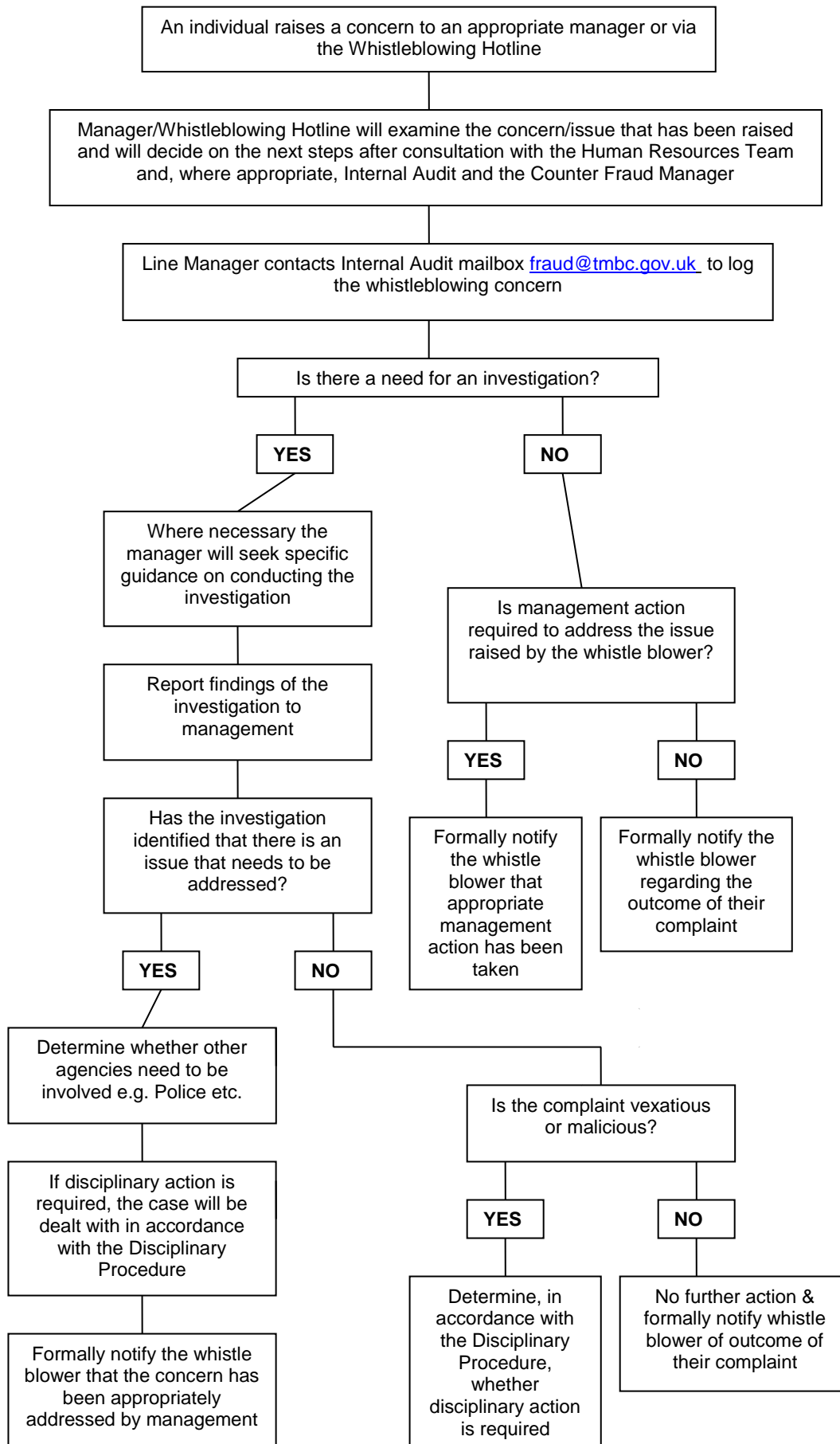
6. False or Malicious Allegations

- 6.1. Disciplinary action will only be taken against individuals who make malicious or vexatious allegations.

7. Procedure Review

- 7.1. This Procedure is owned by the Director of Central Services and Deputy Chief Executive and reviewed by the Audit Assurance Manager on his behalf.
- 7.2. The Whistleblowing Policy will be reviewed at least every two years by the Audit Committee for recommendation to the General Purposes Committee for approval. The most recent review was undertaken in January 2023 with the next review due January 2025.

Whistleblowing Procedure



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Speaking up about wrongdoing; Arrangements for the Public



Raise a concern through;

☎ Whistleblowing Hotline 03000 414500

✉ fraud@tmbs.gov.uk

📄 Audit Manager; Tonbridge & Malling Borough Council,
Gibson Building, Gibson Dr, Kings Hill, West Malling ME19
4LZ

Or

📄 Contact a Senior Officer directly (see Annex 1)

Visit the Website or by telephoning Customer Services;
01732 844522

What information should I provide?

- Background and history of the concern.
- Names, dates and places where possible,
- The reason why you are particularly concerned about the situation

You are not expected to prove the truth of your raised concern. You will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

The earlier you express the concern the easier it will be to take appropriate action.

DON'T IGNORE THE CONCERN. IF IN DOUBT – SPEAK UP!

1. Introduction

- 1.1. Tonbridge & Malling Borough Council is committed to the highest possible standards of openness, honesty, integrity and accountability. As part of this commitment, the Council is keen that any activity which falls below these standards is reported to the Council, in order that it can be dealt with promptly. The Council, whilst making every effort to deal fairly and honestly in providing public services, acknowledges that there may be occasions when members of the public suspect that there is or may be something wrong regarding the activities of the Council which needs prompt action to correct it.
- 1.2. The Council recognises the need to encourage anyone with concerns about any aspect of the Council's work to come forward and voice those concerns. Usually, these are easily resolved. However, when these are about unlawful conduct, financial malpractice or dangers to the public, people or the environment, it can be difficult to know what to do. Specific examples could include:
 - A criminal offence (e.g., fraud, theft, bribery, corruption etc.) may have or has been committed
 - A miscarriage of justice has been or is likely to occur
 - The health or safety of an individual has been or is likely to be endangered
 - Public funds are being used in an unauthorised manner
 - The environment has been or is likely to be damaged
 - The Council's own rules have been or are being breached
 - Abuse (e.g., physical or verbal) of someone receiving a council service, or council employee is taking place, and
 - Someone receiving a Council service is being discriminated against (e.g., on the grounds of disability, race, gender).
- 1.3. The Council has created this Policy, 'Speaking Up About Wrongdoing: Arrangements for the Public', specifically to enable you, as a member of the public, to raise your concerns about suspected malpractice at an early stage and in the right way. We would rather that you raised the matter when it is just a concern rather than wait for definite proof. This Policy is intended to encourage and enable you to be able to communicate serious concerns with the council rather than overlooking a problem.
- 1.4. If something is troubling you, which you think we should know about, or consider, please use this policy.

2. Scope and objectives

Scope

2.1. This policy is provided for use by anyone who is not employed by the council (staff have their own policy). This includes any:

- Member of the public
- Other local authorities
- Council service:
 - Consultants
 - Contractors
 - Customers
 - Partners
 - Providers
 - Recipients
 - Suppliers

2.2. It is not intended that this policy, and its associated procedures, be used to raise concerns which fall within the scope of other council procedures, where these are available and more appropriate, for example complaints about service delivery (please see the Complaints Procedure on the Council's website).

Objectives

2.3. The objectives of this policy are to encourage you as a member of the public or someone who engages with TMBC to:

- Feel confident about raising serious concerns
- Feel reassured that, if you raise any concerns and reasonably believe them to be true (i.e., "Whistle blow"), your concerns will be taken seriously
- Have a range of ways in which to raise concerns and to receive appropriate feedback on any action taken
- Ensure that you receive an appropriate response from the council to the concerns you have raised and, if not satisfied, show how you may take the matter further if you are dissatisfied with the response.

3. Safeguards

Harassment or victimisation

3.1. The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of possible reprisals. The Council will not tolerate victimisation and will act to prevent this when you raise a concern.

Confidentiality

- 3.2. The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed (information relating to the investigation will be strictly controlled on a need-to-know basis). However, it is not easy for the Council to act on concerns that are made anonymously. If you ask us for your identity to be kept confidential, we will not disclose it without your consent or unless we are required to do so by a Tribunal, Court of Law or an Act of Parliament. If the situation arises where we are not able to resolve the concern without revealing your identity (e.g. a statement by you may be required as part of the evidence), we will discuss with you whether and how we can move forward.

Concerns raised anonymously

- 3.3. This policy strongly encourages you to put your name to your concern. Concerns expressed anonymously will be much more difficult for us to consider or to give you feedback. Concerns raised anonymously are much less powerful and less likely to be effective, but they will be considered at the discretion of the Council.
- 3.4. In exercising discretion, the factors considered will include the:
- Seriousness of the issues raised
 - Credibility and plausibility of the concern
 - Likelihood of confirming the allegation from the available sources.

How to raise a concern directly with the council

As a first step, you should normally call the Whistleblowing Hotline,

- 03000 414500.
 - You can also raise your concern directly with the Council's Audit Manager, the Head of Paid Service, Section 151 Officer, or relevant Senior Manager of the service area involved. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. For example, if you believe that management of the service area is involved then, alternatively, the following individuals can be contacted:
- **Director of Central Services & Deputy Chief Executive** – if the wrongdoing is about standards of behaviour
 - **Audit Manager** - if the wrongdoing is thought to be illegal
 - **Director of Finance & Transformation** – if the wrongdoing is about improper payments
 - **Counter Fraud Manager** – if the wrongdoing is a fraud
 - **Chief Executive** - if the wrongdoing is a children's safeguarding issue
 - **Chief Executive** - if the wrongdoing is an adult safeguarding issue
- 3.5. Please say if you want to raise the matter in confidence, so the person you contact can make appropriate arrangements.

3.6. Further advice and guidance on what to do if the matter relates to the safeguarding/financial abuse of children or adults can be found in:

- [Protecting children - Kent County Council](#)
- <https://www.kent.gov.uk/leisure-and-community/consumer-protection/Spot-the-signs-of-financial-abuse>
- [TMBC Safeguarding Policy & Reporting Procedure](#)

The earlier you express the concern the easier it will be for the Council to act!

3.7. You are not expected to prove the truth of your concern, but you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.

4. How the Council will respond

4.1. The action taken by the Council will depend on the nature of the concern. The matters raised may be:

- Investigated internally
- Referred to the police
- Referred to the council's external auditor; or
- Form the subject of an independent enquiry

4.2. To protect individuals and the Council, initial enquiries will be made to decide what form an investigation should take. Concerns or allegations which fall within the scope of specific procedures (for example, child protection) will normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation.

4.3. Within ten working days of a concern being received, the Council will contact you to:

- Acknowledge that the concern has been received
- Indicate, in overall terms, how it proposes to deal with the matter

4.4. The amount of contact between you and the Council officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, they may contact you for further information.

4.5. The Council will take steps to minimise any difficulties which you may experience because of raising a concern.

4.6. The Council accepts that you need to be assured that the matter has been properly addressed and will inform you of the action it is taking or has taken.

How the matter can be taken further

- 4.7. This policy is intended to reassure you and provide clear information to help you raise concerns in confidence and directly with the Council.
- 4.8. We hope you will be satisfied with its response. If you are not, or if you feel for any reason, you cannot raise the matter directly with the Council then possible alternative contact points are listed at Annex 2. Please be assured that we would rather you raised a matter with an appropriate regulator or outside body than not at all.

5. The responsible officer

- 5.1. The Director of Central Services has overall responsibility for the maintenance and operation of this Policy for the public. The Monitoring Officer will maintain a corporate register of the number and nature of the concerns raised and the outcomes (but in a form which will protect your confidentiality) and will report as necessary to the Chief Executive and the council, where appropriate.
- 5.2. The policy will be reviewed on a regular basis to ensure that it remains up to date and effective. The review will be carried out by:
- Director of Central Services & Deputy Chief Executive
 - Audit Manager
 - Counter Fraud Manager
- 5.3. The most recent review was undertaken in January 2023 with the next review due January 2025.

Annex 1 – List of key contacts

Directorate	Contact Name
Chief Executive	Julie Beilby
Director of Street Scene, Leisure and Technical Services	Robert Styles
Director of Central Services & Deputy Chief Executive	Adrian Stanfield
Director of Finance & Transformation	Sharon Shelton
Director of Planning, Housing and Environmental Health	Eleanor Hoyle
Audit Manager	Richard Benjamin
Counter Fraud Manager	James Flannery

Annex 2 – External Contacts

Contact Details (External Organisations)	Details
Grant Thornton The Council's external auditors	Address: 30 Finsbury Square, London, EC2A 1AG Tel no. 020 7383 5100 https://www.grantthornton.co.uk/contact-us/
The Local Government and Social Care Ombudsman	Address: PO Box 4771, Coventry, CV4 0EH E-mail: advice@lgo.org.uk Web: www.lgo.org.uk Tel no. 03000 061 0614
The Equalities and Human Rights Commission	Address: FREEPOST Equality Advisory Support Service FPN4431 Email: correspondence@equalityhumanrights.com Web: www.equalityhumanrights.com Tel no. 0808 800 0082
The Health and Safety Executive (Regional Office)	Address: Health and Safety Executive, International House Dover Place Ashford Kent TN23 1HU : Web: www.hse.gov.uk Tel no. 0845 345 0055
The Environment Agency (Regional Office)	Address: National Customer Contact Centre PO Box 544 Rotherham S60 1BY E-mail: enquiries@environmentagency.gov.uk Web: www.environment-agency.gov.uk Tel No. 0370 850 6506
Citizens Advice Bureau	Please refer to web for local information Web: www.citizensadvice.org.uk/
Police	Please refer to web for local information Web: www.kent.police.uk Tel No. non emergencies 101
Protect – Free Confidential Whistleblowing advice	Tel No: 020 3117 2520 Website: www.protect-advice.org.uk
List of Prescribed People and Bodies	Website: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 January 2023

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.

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 Progress against the 2022/23 Plan

- 1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2022/23 was approved by Members of the Audit Committee on the 1 April 2022. The purpose of this part of the report is to provide Members with an update on the progress of the Internal Audit team in 2022/23 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.
- 1.2.2 Progress against the 2022/23 Internal Audit Plan is currently on target, although there are a higher than usual number of audits still in progress. This is, in part, due to 2 IT audits being on hold and 1 audit being postponed to quarter 4 of the year. These 3 audits have already been planned and in 2 cases fieldwork has already commenced. The reasons for this were either by request of the business or specialist staff vacancies.
- 1.2.3 The majority of audits on the 2022/23 Internal Audit Plan have now been commenced. 4 final reports have been issued so far this year; and 1 audit is at

draft report stage. There are another 10 audits in progress. 2 IT audits are on hold and due to restart in January, with 5 audits to commence in quarter 4. A summary of the current status of all audits on the 2022/23 Plan, including a summary of findings where finalised, is attached at **[Annex 1]**.

1.2.4 In line with the PSIAS, Internal Audit has arrangements in place to follow up on all recommendations agreed with management and to report to the Audit Committee on a regular basis with the responses received. An escalation process should be instigated that would ultimately result in reporting to Management Team and this Committee should risks be accepted that Internal Audit does not believe are within the risk appetite of the organisation.

1.2.5 There were 57 recommendations due for implementation during 2022/23 to date. This excludes 'Low' priority recommendations which are considered to be good practice only and are not followed up, and includes any recommendations carried forward as not fully implemented at 31 March 2022. Progress is as follows:

- 27 have been closed as implemented or low risk.

Of the 30 that remain open:

- 9 will be followed up as part of upcoming audit engagements in the 2022/23 Plan.
- 5 are in progress and a revised implementation date has been agreed with the business.
- Internal Audit has not followed up, or not had responses to date for the remaining 16 recommendations and will report on these in the Annual Report in July 2023.

1.2.6 There is considerable scope for improvements in internal control and the management of risk through the implementation of these recommendations. The level of implementation of these recommendations is also a key consideration in the Annual Opinion for the year.

1.3 Quality Assurance and Improvement Programme and Conformance with the Public Sector Internal Audit Standards (PSIAS)

1.3.1 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's conformance with the PSIAS including the Code of Ethics.

1.3.2 The QAIP 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.

1.3.3 The TMBC QAIP consists of the following elements:

- **Quality Review** – The review process that is undertaken when an audit engagement is in progress. Quality Reviews ensure auditors are adequately supervised throughout the audit engagement.
- **Cold Reviews** – The review process that is undertaken once an audit engagement is complete. It is completed by an independent person.
- **Auditor Self Assessments** – Completed at the completion of each audit engagement. The purpose of the individual self-assessment is to promote continual improvement as well as identifying individual development needs.
- **Customer Feedback** – A customer feedback questionnaire will be sent to the relevant manager once the final report for each audit engagement has been issued. This informs service improvement. A summary of the results is reported to Audit Committee alongside the Annual Report.
- **Key Performance Indicators** – Key Performance Indicators (KPIs) assist the CAE, the Audit Committee and other stakeholders in understanding how Internal Audit is performing against its targets and where there may be areas for improvement to address. KPIs are reported to Audit Committee as part of the Annual Report.
- **Internal Self-Assessment** – The Internal Self-Assessment will be completed on an annual basis by the Chief Audit Executive, against compliance with the PSIAS. The results will be reported to the Audit Committee.
- **Annual Review of the Effectiveness of Internal Audit** – Each year, the Chief Audit Executive completes a pro-forma to review the effectiveness of Internal Audit. This is endorsed by Management Team and reported to Committee alongside the Annual Report.
- **External Assessment** – PSIAS require an External Quality Assessment (EQA) to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The last external assessment was reported to Audit Committee in July 2021.
- **Improvement Programme** – Action plans will be developed to address the findings of all internal and external assessments as relevant with a view to improving both conformance and quality in practice. These will be reported to Audit Committee as part of progress reports.

1.3.4 The QAIP was reviewed in December 2023. It has been aligned to Kent County Council Internal Audit Practices. Consistency and efficiency of practice was one

objective of the Shared Service. This has resulted in the addition of cold reviews to the QAIP, as detailed in 1.3.3.

- 1.3.5 A detailed internal self-assessment has been undertaken during December 2023 and it was determined that the service 'Generally Conforms' with the PSIAS. There were a number of enhancements identified and these are included in the improvement plan at **[Annex 2]**. Progress against the actions will be reported to Audit Committee in future progress reports.

Counter Fraud Update

1.4 Prevention and Detection of Fraud, Bribery and Corruption

- 1.4.1 This section of the report provides details of the Council's activity in preventing and detecting fraud, bribery and corruption in the year 2022/23 to quarter two.

National Fraud Initiative

- 1.4.2 The Counter Fraud Team have reviewed and cleared the matches provided as part of the biennial data matching exercise for 2020/21. The outcome of the exercise is shown in **[Annex 3]**.
- 1.4.3 The 2020/21 biennial exercise summary in **[Annex 3]** shows a total of 871 matches were released. The reports in the exercise include; DWP Housing Benefit claimants to TMBC data such as housing waiting list, taxi drivers, council tax exemptions and discounts.
- 1.4.4 Due to resourcing when the 2020/21 exercise was released, a proportion of matches were not reviewed in a timely manner. This was due to resources being diverted to support the Covid-19 Business Rate grants scheme. Therefore, when KCC's Counter Fraud Team reviewed the data within the NFI, it was historic. This has resulted in a bulk close of matches.
- 1.4.5 The reports for the 2022/23 NFI exercise will be released in Quarter 4. The exercise will be resourced so that matches are reviewed on a timely basis.
- 1.4.6 The annual exercise includes the reports; Council Tax Single Person Discount to Register of Electors, Single Person Discount to HM Revenue and Customs, and Single Person Discount to other data sets.
- 1.4.7 **[Annex 3]** shows the breakdown of progress of the annual exercise this financial year including quarter 3 to date. A total of 3,868 matches were released and 2,826 matches have been reviewed. The outcome of the matches that have been completed has resulted in increased council tax liability of £42,920.
- 1.4.8 A bulk closure of the matches within the Council Tax to other data sets was completed due to the low average value returned per case and the length of time taken to process each match. The NFI has recently removed the Council Tax to

HMRC matches without notice and as a result the outcome reported in **[Annex 3]** will be the final position.

Kent Intelligence Network

1.4.9 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2022/23 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises. Data matches received through this route have been reviewed and the Counter Fraud Team can report the following outcomes:

- Single person discount – increased council tax liability £5,991
- Small Business Rate Relief – increased liability £51,797
- Unrated Businesses – increased liability £35,444
- Untaxed residential properties – increased liability £11,128
- Retriever Debtor Tracing £94,200 for recovery action.

1.4.10 Additionally, a review of discounts and exemptions has been completed, with the outcome shown in **[Annex 4]**. This has identified an additional £34,444 in increased liability due.

Fraud Awareness Sessions

1.4.11 The Counter Fraud Team had planned to deliver two fraud awareness sessions in quarter 3, in December 2022. The sessions have been created to ensure staff develop a greater awareness about fraud and how it can be committed against the Council caused by internal and external fraud threats.

1.4.12 A UK leading fraud prevention service is warning of an upsurge in CV and recruitment fraud, therefore the first session planned was due to be delivered to the Human Resources Team. However, HR have rearranged to Quarter 4.

1.4.13 The second session will be delivered to the Council's Revenues and Benefits Team and will focus on the fraud risks at the application, award and in payment stage of Council tax exemptions and discounts as well as the work that is done with the DWP.

1.5 Investigating Fraud, Bribery and Corruption

1.5.1 The Counter Fraud Team received 60 referrals in the first half of the financial year. The most common type of referral related to Single Person Discounts. A total of 29 referrals of this fraud type was reported in quarter one and two.

1.5.2 A total of 50 referrals have been closed, 18 are closed with no further action and 13 cases, where there is housing benefit entitlement, have been referred to the

Department for Work and Pension for investigation. 19 have been reported internally for discount or exemption review and 10 cases remain open for investigation.

1.6 Legal Implications

- 1.6.1 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.
- 1.6.2 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.
- 1.6.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.7 Financial and Value for Money Considerations

- 1.7.1 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.
- 1.7.2 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.

1.8 Risk Assessment

- 1.8.1 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.
- 1.8.2 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

Audit Review Title	Planned Quarter	Current Status	Audit Opinion	Scope of Audit and Findings
Climate Change	1	Complete	Substantial	Reported to September 2022 Audit Committee
Fly Tipping and Enforcement	1	Draft Report		
Customer Services Review	Ongoing	Ongoing		
GDPR	3	Planning		

<p>Page 14</p> <p>Member Declaration of Interest / Expenses allocation</p>	1	Complete	Substantial	<p>Internal Audit's overall Audit Opinion of Substantial is based on the following Key Strengths and Areas for Development:</p> <p>Key Strengths</p> <ul style="list-style-type: none"> • A review of the Register of Interest published for each Councillor was completed. A register was available for all but two councillors (see weaknesses below), but those viewable appeared to be completed fully. • Published Register of Interest forms had generally been signed promptly by the Monitoring Officer. • Guidance is provided to Councillors upon election around openness and transparency on personal interests, and the Monitoring Officer periodically reminds Councillors to review that their Register of Interest is up-to-date. • The Code of Conduct has been designed in consultation with The Kent Secretaries, and has clearly been considered against (and modified to align with) the Local Government Association model code. • The Constitution clearly outlines the roles of the Joint Standards Committee and the General Purposes Committee in the monitoring and upkeeping of the Code of Conduct. • There is a whistleblowing policy for staff and a separate one for external persons (e.g. members of the public, contractors, etc.). These are thorough, with the internal policy reviewed annually by the Audit Assurance Manager and approved by the General Purposes Committee. • There is an anti-fraud, bribery and corruption policy which is thorough, annually reviewed by the Audit Assurance Manager, and approved by Audit Committee. • Internal Audit reviewed a sample of TMBC Committee Meetings. All meetings reviewed had a formal documentation of declarations of interest, excluding the Parish Partnership, for which Internal Audit are satisfied acts only as an information sharing meeting and has no decision or voting powers. Agenda items listed were compared with the published Register of Interest forms for the Councillors attending, and no instances of conflict of interests were identified. • Agenda frontsheets include the wording "Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting", again reminding Councillors of their responsibilities against the Code of Conduct. • Internal Audit reviewed a sample of key decisions. Where there was documentation of consideration of declarations of interest (see weaknesses below), no instances were identified where a conflict of interest was not declared. • Thorough training around the Code of Conduct and in turn declarations of interest has been provided to Councillors by the Monitoring Officer twice since the election in June 2019.
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Page 179				Areas for Development <ul style="list-style-type: none">At the time of audit fieldwork, two Councillors did not have a published Register of Interest available for review.On reviewing a sample of key decisions made, three instances were identified where a ‘record of Key Decision Taken under emergency powers’ was published without documentation of consideration of declarations of interest.At the time of audit fieldwork, the version of the Constitution available on the TMBC website did not contain the current Code of Conduct.When using the search function on the TMBC wesbite to search for the ‘anti-fraud, bribery and corruption policy’, the first 2 results are outdated versions of the policy. The current version is third in the list.The Joint Standards Committee does not meet regularly.The Constitution states that training around The Code of Conduct must be attended unless there is a reasonable excuse. This is not currently implemented and 20 current Councillors have not attened any Code of Conduct training. Summary of management responses <table><tr><th></th><th>Number of issues raised</th><th>Management Action Plan developed</th><th>Risk accepted and no action proposed</th></tr><tr><td>High Risk</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Medium Risk</td><td>2</td><td>2</td><td>0</td></tr><tr><td>Low Risk</td><td>1</td><td>1</td><td>0</td></tr></table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	2	2	0	Low Risk	1	1	0
		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed																
	High Risk	0	0	0																
	Medium Risk	2	2	0																
	Low Risk	1	1	0																
	Taxi and Vehicle licensing, Monitoring and enforcement	2	Planning Delayed Q4																	
Freedom of Information and Subject Access Requests	2	Fieldwork																		
Performance Management and Data Quality	3	Planning																		
IT Infrastructure	1	On Hold																		

Council Tax Administration (Recovery and write offs)	3	Fieldwork		
Business Rates Admin	4			
Accounts Payable	2	Fieldwork		
Risk Management	4			
Fire Safety - Gibson Building	4			
Local Plan	Ongoing	Ongoing		
Housing Allocation Scheme	Ongoing	Planning		

Disabled Facilities
Grant

1

Complete

Adequate

Internal Audit's overall Audit Opinion of **Adequate** is based on the following Key Strengths and Areas for Development:

Key Strengths

- The processes for approving applications and additional works have appropriate controls in place to ensure the proper procedure is carried out.
- The grants sampled were appropriately approved.
- Disabled Facilities Grants require communication with external parties, such as contractors, Kent County Council Occupation Therapists, and TMBC's Home Improvements Agency, Town & Country Housing. Much of these communications were traceable to Internal Audit.
- Information manually recorded on Uniform is accurate and informed by external records, such as client applications and contractor quotes.
- The monitoring of controls outside Uniform ensure the overview of application approval and payments due.
- There are plans to increase case numbers to combat the underspend by working with other local authorities and KCC Occupational Therapists to ensure the service continues to meet its statutory duty.

Areas for Development

- There is limited case monitoring within Uniform.
- An overview of spend is not visible within Uniform for PSH, and is done by monthly Capital Monitoring Reports completed by management.
- Uniform is not intuitive at interpreting and tracking data.
- There were several missing pieces of information not stored in IDOX including letters to clients, a variation notice, and payment certificates.
- The Uniform system is not user friendly and increases the scope of human error rather than reduces it due to manual inputs and not being able to flag when documents are outstanding.

Summary of management responses

	Number of reccomendations raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	0	0	0

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Parking

2

Complete

Limited

Internal Audit's overall Audit Opinion of **Limited** is based on the following Key Strengths and Areas for Development:

Key Strengths

- Internal Audit reviewed the governance and consultation undertaken prior to the introduction of the revised fee structure. Fees were reviewed by the Cabinet, addressed as a key decision, and subject to public consultation as per The Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996.
- Spot checks of off-street car parks and on-street paid parking zones demonstrated updates had been made since the revised parking charges were introduced. Fees shown on the signage, pay and display machine software, and RingGo system had been updated in line with the Traffic Regulation Orders.
- The Flowbird Weboffice gives real-time updates of the pay and display machines. This allows TMBC to be able to monitor the levels of cash held in the machine, identify when the machine has been emptied, and promptly recognise if a machine is out of order for any reason.
- The Parking Manager is now actively tracking collections using the Flowbird Weboffice to allow him to challenge and dispute invoices sent by G4S for cashbox collections. Whilst there are ongoing concerns with this provider (see weaknesses), Internal Audit have noted that TMBC have tried many times to contact G4S regarding non-collections and poor contract performance and have now escalated to with-holding payment.
- The reconciliation process completed by the Finance Department for money collected by RingGo was reviewed and showed that a suitable process is followed to ensure monies due to be paid by RingGo are received by TMBC.

Areas for Development

- When cashboxes are collected by TMBC Officers the current practice of storing this cash whilst awaiting G4S to collect for banking is not secure resulting in risk of monetary loss.
- There is no current practice to reconcile pay and display machine income against the Flowbird Weboffice. TMBC do not have assurance that the amount of cash collected and banked by G4S is correct.
- There is an ongoing issue of non-collection of cashboxes by G4S.
- TMBC do not receive adequate assurance that the maintenance schedule paid for is received.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	1	1	0
Low Risk	1	1	0

Planning Application Process	3	Planning		
Landscaping Contract Management	3			
Cyber Security	1	On Hold		
TMBC Assurance Mapping	TBC			

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Internal Audit Action Plan – PSIAS Self-Assessment			
Standard	Actions	Accountable Owner	Target Date for Completion
1110 Organisational Independence	1. Book regular private meetings with the Chair of the Audit Committee and CAE/Audit and Assurance Manager	Internal Audit Manager	April 2023
1112 Chief Audit Executive Roles Beyond Internal Auditing	2. Look to identify a mechanism to review and provide assurance on the Fraud activity	Internal Audit Manager	July 2023
1210 Proficiency and CPD (1230)	3. Review skills and training needs to ensure Auditors keep learning and development up to date and pursue formal/informal learning opportunities 4. Extend training matrix to encompass more TMBC specific systems	Internal Audit Manager	April 2023 April 2023
1220 Due Professional Care	5. Develop the use of data analytics and make a consideration of planning and manager review for each audit	Internal Audit Manager	January 2023
1300 Quality Assurance and Improvement Programme (QAIP)	6. Explore possibility of Cold Reviews using KCC Audit Managers Review the QAIP using feedback from the IA team and stakeholder consultation, including the quality proforma for each engagement. 7. Ensure Self assessments and Customer surveys are completed and returned after each audit	Internal Audit Manager	January 2023 January 2023

2010 Planning	8. Audit Universe needs to updating and considered in conducting annual audit planning	Internal Audit Manager	April 2023
	9. Better documentation of IA risk assessment where required		April 2023

	Biennial NFI 20/21 Exercise	Annual NFI Exercise			
	Summary	Council Tax to HMRC Household Composition	Council Tax to Electoral Register	Council Tax Rising 18s	Council Tax to other Datasets
Total matches	871	1185	471	48	2164
Processed matches	871	219	428	21	2158
Percentage complete	100%	18%	91%	44%	99%
Frauds	0	0	0	0	0
Fraud value	£0	£0	£0	£0	£0
Error	24	1	61	5	5
Error value	£77,760	£1220	£37,958	£57	£3685
Cleared No Further Action	847	218	367	16	2153
Open cases	0	21	42	1	2

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	Kent Intelligence Network					
	01/04/2022	07/04/2022	26/05/2022	20/06/2022	04/07/2022	22/08/2022
	Discount and exemption review	Band H Campaign	Band G Campaign	Band F Campaign	Band E Campaign	Band D Campaign
Total matches	412	25	28	32	53	91
Processed matches	350	25	28	32	50	86
Percentage complete	85%	100%	100%	100%	94%	95%
Frauds	0	0	0	0	0	0
Fraud Value	£0	£0	£0	£0	£0	£0
Error	58	0	1	2	0	0
Error value	£28,454	£0	£1,901	£4,089	£0	£0
Cleared No Further Action	292	25	27	30	50	86
Open cases	62	0	0	0	3	5

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Agenda Item 12

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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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 14

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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