

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

14 July 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, 24th July, 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 for members – Tonbridge and Malling Borough Council \(tmbc.gov.uk\)](https://www.tmbc.gov.uk/code-of-conduct-for-members).

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 17 April 2023

6. Presentation by Borough Council Property Fund Manager Verbal Report

Matters for Recommendation to Council

7. Local Code of Corporate Governance 15 - 40

This report informs Members of the outcome of the annual review of the Local Code of Corporate Governance.

8. Treasury Management Update and Annual Report 2022/23 41 - 66

The report provides an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2022/23 is also included in this report.

Matters for Recommendation to the Cabinet

9. Risk Management 67 - 86

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

Decisions to be taken under Delegated Powers

10. Annual Governance Statement 87 - 94

This report presents the Annual Governance Statement for the year ended 31 March 2023 for Members' endorsement. The Annual Governance Statement is signed by both the Leader of the Council and the Chief Executive and accompanies the Statement of Accounts 2022/23.

11. Statement of Accounts 2022/23 and Progress Update on the audit of Accounts 95 - 106

This report presents an unaudited set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom.

Due to its size the Statement of Accounts Booklet (Annex 1) will be published as a supplement

12. Review of Effectiveness of Internal Audit 107 - 114

This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2022/23.

Matters submitted for Information

13. Opinion of the Chief Audit Executive on the Framework of Governance, Risk Management and Control; Annual Internal Audit Report and Annual Counter Fraud Report 2022/23 115 - 146

This report informs Members of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control, together with the Internal Audit work completed during 2022/23 to support that opinion. In addition, the report also informs Members on the work of the Counter Fraud function in 2022/23.

14. Grant Thornton Audit Progress report and Sector Update 147 - 168

A progress report and update on emerging national issues and developments from our external auditor, Grant Thornton.

15. Urgent Items 169 - 170

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

16. Exclusion of Press and Public 171 - 172

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

17. Urgent Items 173 - 174

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 R I B Cannon (Chair)
Cllr M R Rhodes (Vice-Chair)

Cllr J Clokey
Cllr J R S Lark
Cllr M A J Hood

Cllr B A Parry
Cllr R V Roud

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-ugSzxjAPfw/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@tmbc.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@tmbc.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

	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Labour
1	Steve Hammond	Bill Banks	Lee Athwal		
2	Dan Harman	Tim Bishop	Kath Barton		
3	Sarah Hudson	Paul Boxall	Anna Cope		
4	Alex McDermott	Garry Bridge	George Hines		
5	Keith Tunstall	Trudy Dean	Robert Oliver		

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

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Agenda Item 4

Declarations of interest

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

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 17th April, 2023

Present: Cllr Mrs F A Kemp (Chair), Cllr N Foyle (Vice-Chair), Cllr T Bishop, Cllr R I B Cannon, Cllr N J Heslop, Cllr M R Rhodes and Cllr H S Rogers (substitute member).

Virtual: Councillors R P Betts, M A Coffin and W E Palmer participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

An apology for absence was received from Councillor J R S Lark.

PART 1 - PUBLIC

AU 23/11 NOTIFICATION OF SUBSTITUTE MEMBERS

Notification of a substitute Member was recorded as set out below:

- Cllr Rogers substituting for Cllr Lark

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

AU 23/12 DECLARATIONS OF INTEREST

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

AU 23/13 MINUTES


RESOLVED: That the Minutes of the meeting of the Audit Committee held on 16 January 2023 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 23/14 AUDIT COMMITTEE ANNUAL REPORT

The report of the Chairman of the Audit Committee aimed to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes. The

report summarised the work carried out by the Committee during 2022/23 and concluded that the required assurance, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance, had been provided by the Audit Committee to those charged with governance.


RECOMMENDED: That the Annual Report be presented to the Council as independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. 

***Referred to Council**

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 23/15 RISK MANAGEMENT

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

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

***Referred to Cabinet**

DECISIONS TO BE TAKEN UNDER DELEGATED POWERS

AU 23/16 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2022/23

The report of the Director of Finance and Transformation contributed towards the effective two-way communication between Tonbridge and Malling Borough Council's external auditors and the Audit Committee, as 'those charged with governance' in respect of the audit of the financial statements.

During discussion, reassurance was provided that procedures were in place to identify fraudulent Covid business support claims.

RESOLVED: That the responses to the questions set out at Annex 1 of the report, be endorsed.

AU 23/17 INTERNAL AUDIT CHARTER

The report of the Chief Audit Executive presented the Internal Audit Charter for Member consideration and approval. It was noted that the Charter had been reviewed against the Public Sector Internal Audit Standards (PSIAS) and continued to meet the requirements of a formal Charter.

It was further noted that an amendment had been made in respect of authority to reflect the person fulfilling the role of Chief Audit Executive as this was no longer the Audit and Assurance Manager but the Head of Internal Audit for Kent County Council.

It was reported that the Management Team had approved the Charter on 21 March 2023.

RESOLVED: That the Internal Audit Charter, as attached at Annex 1 to the report, be approved.

AU 23/18 INTERNAL AUDIT AND FRAUD PLAN 2023/24

The report of the Chief Audit Executive presented the Internal Audit and Fraud Plan for 2023/24 which had been developed using a risk-based approach to determine the priorities of the internal audit activity consistent with the organisation's goals. Significant risk areas and priorities had been identified through a risk assessment which included reviews of the Strategic and Service Risk Registers, analysis of the wider environment, use of organisational knowledge and discussions with Directors both individually and collectively as part of Management Teams. The Plan had been reviewed and endorsed by the Management Team.

During discussion, Members welcomed the inclusion of the Local Plan and S.106 agreements in the 2023/24 Plan.

RESOLVED: That the Internal Audit and Fraud Plan for 2023/24, as set out at Annex 1 to the report, be approved.

MATTERS SUBMITTED FOR INFORMATION

AU 23/19 TREASURY MANAGEMENT PERFORMANCE UPDATE

The report of the Director of Finance and Transformation provided details of investments undertaken and the return achieved for the first eleven months of the financial year 2022/23.

RESOLVED: That the report be noted.

AU 23/20 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

Members were provided with an update on the work of both the Internal Audit function and the Counter Fraud function against the Annual Internal Audit and Counter Fraud Plan for 2022/23. The Council's activities in preventing and detecting fraud and corruption in 2022/23 to quarter 3 were detailed in the report.

Progress against the 2022/23 Internal Audit Plan was currently on target and all outstanding audits had scheduled completion dates before the presentation of the Annual report to the Committee in July 2023.

RESOLVED: That the report be noted.

AU 23/21 GRANT THORNTON 2022/23 AUDIT PLAN

The report of the Director of Finance and Transformation introduced the 2022/23 Audit Plan received from the external auditors in respect of the audit of the Council's financial statements which was presented by Ms Sophia Brown, Key Audit Manager, Grant Thornton.

RESOLVED: That the report be noted.

AU 23/22 CHAIRMAN'S ANNOUNCEMENTS

Members of the Committee requested that their appreciation to the Chief Financial Officer, Neil Lawley, be recorded.

AU 23/23 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

RESOLVED: That as public discussion would disclose exempt information, the following matters be considered in private.

PART 2 - PRIVATE

AU 23/24 INSURANCE CLAIMS HISTORY

(LGA 1972 Sch 12A Paragraph 3 – Financial of business affairs of any particular person)

The report of the Director of Finance and Transformation informed Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 March 2023.

RESOLVED: That the report be noted.

The meeting ended at 8.21 pm

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Chief Executive and Director of Central Services

Part 1- Public

Matters for Recommendation to Council

1 LOCAL CODE OF CORPORATE GOVERNANCE

This report informs Members of the outcome of the annual review of the Local Code of Corporate Governance.

1.1 Introduction

1.1.1 The Local Code of Corporate Governance was last reviewed by this Committee in July 2022. At that time the Code required a number of material amendments due to a number of activities that had taken place which had consequences for the Local Code, including:

The LGA Peer Review Challenge 2022;

Changes to executive governance arrangements;

Adoption of a new Kent Code of Conduct for Councillors; and

An internal audit of the Local Code of Corporate Governance

1.1.2 The proposed amendments to the Code at this time are all relatively minor in nature, with no significant activities having taken place since July 2022 that impact upon our corporate governance arrangements.

1.1.3 A revised Code is attached as **Annex 1**. Changes to the code are shown as tracked changes. The principal amendment relates to the introduction of the new Corporate Strategy for 2023-25, that strategy having been submitted to Full Council earlier this month for final approval. All other changes are minor updates to the Code.

1.2 Legal Implications

1.2.1 Whilst there is no legal requirement for Councils to develop a Local Code of Corporate Governance, such a Code provides a public document that demonstrates how the Council ensures it operates in a proper way and in accordance with the law.

1.3 Financial and Value for Money Considerations

1.3.1 There are no financial and value for money considerations arising from the Code.

1.4 Risk Assessment

1.4.1 Adoption of a Local Code of Corporate Governance is seen as good practice in that it demonstrates how the Council ensures it operates in a proper way and in accordance with the law and as such is subject to annual review to ensure it remains fit for purpose. Not to do so may attract unwelcome criticism.

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 **approve** the amendments to the Local Code of Corporate Governance set out at **Annex 1** and **commend** it to Council for adoption.

Background papers:

contact: Joy Ukadike

CIPFA/SOLACE – “Delivering Good Governance in
Local Government Framework 2016”

Julie Beilby
Chief Executive

Adrian Stanfield
Director of Central Services

Local Code of Corporate Governance	Supporting Evidence
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
1.1 Behaving with Integrity	
<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organization</p>	<p>The Council has Codes of Conduct for both Members and Officers. The Member code is founded upon the seven Principles of Public Life (the Nolan Principles). The members Code of Conduct was reviewed on a Kent-wide basis in 2021/22 and the Council adopted the amended Kent code on 27th April 2022.</p> <p>The Members code is enforced (where necessary) through the Council's Joint Standards Committee. The Officer code is enforced (where necessary) through disciplinary procedures.</p> <p>In addition the Council has:</p> <ul style="list-style-type: none"> • An Equalities Policy • a protocol for member/ officer relations • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • A publicised complaints procedure • A fraud-aware culture, and an anti-fraud and corruption policy which is reviewed and updated annually.
<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organization and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life</p>	<p>The Council's constitution sets out clearly the standard operating procedures, and any delegation of responsibility from Council (and Cabinet) and the decision making powers of the Council, Cabinet members, cabinet and the committees of the Council and the executive.</p> <p>The Council's Cabinet and Overview and Scrutiny Committee have established a Cabinet/ Scrutiny protocol which sets out the expectations that each body has of the other.</p> <p>The Seven Principles of Public Life are embedded within the Constitution and form part of the Members' Code of Conduct.</p>
<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate</p>	<p>The Council's constitution clearly sets out the process for holding the executive to account through a system of reporting to the Council's</p>

<p>policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>Overview & Scrutiny committee and the Scrutiny Select Committees.</p> <p>The Council has a Corporate Strategy for 2020-2023 which sets out an overarching vision for the Council. Following the Council's Peer Review Challenge 2022, the Council is due to review <u>has reviewed</u> its strategic aims, with a view to producing a revised Corporate Strategy in 2022 for the period 2023-25 submitted to full Council in July 2023</p> <p>The Council is <u>has</u> also in the process of developing revised its improved internal communications processes in light of recommendations made by the Peer Review team. <u>A new post of internal communications officer has been created and a member of staff appointed in February 2023.</u></p>
<p>1.2 Demonstrating Strong Commitment to Ethical Values</p>	
<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance</p>	<p>The Council has a number of policies and Codes which officers and members are expected to adhere to:</p> <ul style="list-style-type: none"> • A Code of Conduct for Members and Officers • An Equalities Policy • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • an anti-fraud and corruption policy • a Standards Committee to promote and maintain high standards of conduct by Members
<p>Underpinning personal behaviour with ethical values and ensuring they permeate</p>	<p>The Code of Conduct for Members is enforced through the Standards process.</p>

<p>all aspects of the organisation's culture and operation</p>	<p>Where members of staff depart from the officer Code of Conduct or other policies, these may be enforced through disciplinary measures. The Monitoring Officer and Deputy Monitoring Officer are available to provide advice to Members and staff on all aspects of standards of conduct and lawful and ethical behaviour.</p> <p>Professional officers are also accountable to their respective professional bodies and any applicable Codes of Conduct.</p>
<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p>	<p>The Council has robust arrangements in place to ensure that it does the right things, for the right people in a timely, inclusive, open, honest and accountable manner. These are monitored and publicized through:</p> <ul style="list-style-type: none"> • The Council's performance reporting arrangements • Procedures for recruitment and training • Decision making practices (including requirements for the publication of officer decisions) • • publication of decisions and committee meeting minutes • Data transparency arrangements, such as the Council's Publication Scheme under the Freedom of Information Act 2000 and data published in accordance with the Local Government Transparency Code •
<p>Ensuring that external providers of services on behalf of the organization are required to act with integrity and in compliance with ethical standards expected by the organisation</p>	<p>The Council's Contracts Procedure Rules require standard terms to be included in all contracts, including provisions relating to bribery, equalities and fraud.</p>
<p>1.3 Respecting the Rule of Law</p>	
<p>Ensuring members of staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations</p>	<p>The Council actively recognises the requirements and responsibilities placed on it by law and will act to observe all specific legal requirements placed upon it when taking decisions.</p>

	<p>Training is provided to new members of staff appropriate to their roles, and ongoing training (particularly in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>This is underpinned by a series of policies and processes to ensure that staff adhere to legal requirements including:</p> <ul style="list-style-type: none"> • a Code of Conduct for Members and Officers • A Declaration of Interest Register for Members and for staff • A Register of Gifts and Hospitality offered to Members and staff • Financial Procedure Rules • Contracts Procedure Rules • an anti-fraud and corruption policy
<p>Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p>	<p>Training is provided to new members upon election, and ongoing training (particularly in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>The Council's Monitoring Officer (the Director of Central Services & Deputy Chief Executive) and Deputy Monitoring Officer (the Head of Legal & Democratic Services), both of whom are qualified Solicitors with current practising certificates are responsible for ensuring that the Council acts in accordance with the law and that decisions made by the Council, however made, are made lawfully.</p> <p>The Council has appointed Deputies to each of the statutory officer posts to ensure resilience and also to ensure that those officers can act in the event of a conflict of interest arising.</p>
<p>Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders</p>	<p>All departments are encouraged to work closely with the Council's legal team and where necessary to consult the Monitoring Officer to ensure that the most effective use is made of the Council's powers.</p> <p>Legal staff receive regular training and updates when new powers become available to the Council.</p>

	<p>The Council also strives to utilise its statutory powers to work in the public interest and to the full benefit of its citizens, particularly in relation to regulatory activity.</p> <p>All committee reports include a section to ensure any legal implications are fully analysed when making decisions.</p> <p>In addition, many committees (in particular where the Council is carrying out regulatory functions) sit with a legal advisor.</p>
<p>Dealing with breaches of legal and regulatory provisions effectively</p>	<p>Staff in enforcement roles are appropriately trained and (where necessary) professionally qualified in the relevant field.</p> <p>The Council has individual service enforcement policies which set out how breaches are to be investigated and enforced. The Council has also adopted -a Corporate Enforcement Policy.</p> <p>- Investigations are carried out with the assistance of legal advice where needed. Any prospective prosecution is assessed in accordance with the Code for Crown Prosecutors and considered by a senior lawyer before a decision is made.</p> <p>Enforcement staff are encouraged to work closely with the Council's legal team to ensure that the most effective use is made of the enforcement powers available to the Council.</p> <p>In committees where the Council is carrying out a regulatory function, the committee usually sits with a legal advisor.</p> <p>The Council has appointed a Data Protection Officer and Deputy Data Protection Officer, in accordance with GDPR, to ensure that following an internal investigation data breaches are reported to the ICO where necessary. The posts of Data Protection Officer and Deputy Data Protection Officer are currently undertaken by the Director of Central Services & Deputy Chief Executive, and the Head of Legal & Democratic Services.</p>
<p>Ensuring corruption and misuse of power are dealt with effectively</p>	<p>The Council takes corruption and misuse of power very seriously. The Council has an anti-fraud and corruption strategy and a whistleblowing policy in place.</p> <p>In addition, the Council has a Joint Standards Committee and Code of Conduct for Members which investigates complaints against members (both at Borough and Parish level).</p>

	<p>The Council's Monitoring Officer and Deputy Monitoring Officers are responsible for ensuring that the Council acts in accordance with the law.</p> <p>All staff are required to confirm their acceptance of all policies, including the anti-fraud and corruption and whistleblowing policies through netConsent. Such policies are ultimately enforceable through disciplinary measures.</p> <p>Internal audit also carry out programmed audits on matters such as corporate crime.</p>
<p>2. Ensuring openness and comprehensive stakeholder engagement</p>	
<p>2.1 Openness</p>	
<p>Ensuring an open culture through demonstrating, documenting and communicating the organization's commitment to openness</p>	<p>The Council follows both the mandatory and (where cost effective) recommended provisions of the Local Government Transparency Code for publication of information held by the Council, and has a detailed scheme of publication under the Freedom of Information Act. In addition, in relation to certain decisions made at officer level, the Council has implemented the requirements of the Openness in Local Government Regulations 2014.</p>
<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<p>The Council has an adopted and published Corporate Strategy for 2020-2023 which sets out the Council's vision for a 3-year period, which is supplemented by a Corporate Strategy Addendum, setting out the Council's strategy for recovering from the effects of the Coronavirus pandemic.</p> <p>Following the outcomes of the Peer Review Challenge 2022 the Council is due to reviewed its corporate priorities and publish a new Corporate Strategy in 2022 <u>for the period 2023-25 was submitted to Full Council for approval in July 2023.</u></p>

	<p>The Council's Constitution sets out clearly the decision- making powers of:</p> <ul style="list-style-type: none"> • The Council • The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders), • Other Council committees; and • powers delegated to officers and the limits of such delegation <p>The Overview and Scrutiny Committee and the Scrutiny Select Committees are responsible for reviewing and scrutinizing decisions made by and performance of the cabinet, committees and officers. Decisions made by cabinet, committee or a cabinet member can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken. Feedback from the Overview and Scrutiny Committee/ Scrutiny Select Committees, Cabinet, and other Committees is taken into account and given due consideration in the decision-making process.</p> <p>Forthcoming key decisions are published in advance at regular intervals. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these may include staffing and legal matters and those of a contractual nature. Where such an exemption applies, it is recorded in the relevant report and minute.</p>
<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p>	<p>Reports to members set out all relevant considerations in order to ensure that any decision taken is rational and lawful. In addition, reports of certain officer level decisions are required to be published under the Openness in Local Government Regulations 2014.</p>
<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.</p>	<p>The Council carries out consultation where this is a legal requirement.</p>
<p>2.2. Engaging comprehensively with institutional stakeholders</p>	
<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that</p>	<p>The Council's Corporate Strategy 2020/23 outlines the means by which local stakeholders (including institutional stakeholders) will be engaged and how constructive, challenging relationships will be built.</p>

<p>outcomes are successfully achieved and sustainably.</p>	<p>The Council has Committees with cross-party representation to ensure effective and robust discussion of issues.</p> <p>The Council has a Parish Partnership Panel, the Tonbridge Community Forum and a Joint Transportation Board which ensure that the Council can effectively engage with external stakeholders, including institutional stakeholders such as Parish Councils and the County Council.</p> <p>The Council also has an Overview and Scrutiny Committee and three Scrutiny Select Committees to scrutinise decisions made (or which are due to be made) by Cabinet, and which has the ability to make recommendations (which could include recommendations on stakeholder engagement) to Cabinet.</p>
<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>	<p>The Council seeks to utilise Shared Service and Joint Working arrangements which are intended to share resources with neighbouring authorities where these will improve efficiency and economic sustainability.</p> <p>Outside of such formal arrangements, Council officers have access to Kent-wide service groups such as Kent Chief Executives and Kent Chief Planners which allow for joint sharing of good practice and knowhow.</p>
<p>Ensuring that partnerships are built on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</p>	<p>The informal Kent-wide service groups enable relationships to be built with other Kent authorities such that as and when partnership arrangements such as joint working are carried out, they are based on each organisations knowledge and trust of the other.</p>

2.3 Engaging with individual citizens and services users effectively.	
<p>Establishing a clear policy on the type of issues that the organization will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p>	<p>The Council is clear that it is ultimately accountable to the citizens of Tonbridge & Malling. The Council has a good understanding of who lives, works and plays in the borough and has mechanisms to listen to and respond to their needs, aspirations and concerns.</p> <p>All consultations are published on the Council's website. When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group. The Council carries out consultation when legally required to do so.</p> <p>All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society.</p>
<p>Ensuring communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>All consultations are published on the Council's website, and where legally required, are advertised in a relevant newspaper.</p> <p>The Council's constitution sets out the roles of members, and (in particular) cabinet members and their roles with regard to community engagement.</p> <p>Public-facing staff receive training relevant to their roles to ensure that their community engagement roles are clear.</p>
<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<p>The Council has taken action to develop and support effective engagement opportunities with all groups of the local community:-</p> <ul style="list-style-type: none"> • The Council engages with the Parishes and unparished areas through the Parish Partnership Panel and Tonbridge Community Forum • The Council promotes the TM Youth Forum that represents the views of young people living in Tonbridge and Malling • The Council supports the Tonbridge & Malling Seniors' Forum (TAMS) which promotes and the needs of the older resident. • The Council actively uses complaints received to learn and

	<p>improve services, whether through the internal complaints system or via the Ombudsman.</p> <ul style="list-style-type: none"> The Council operates a petition scheme whereby matters of significant local interest can be raised for discussion at full Council.
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.	<p>Consultation responses are reported upon to the relevant decision making person or body where that person or body has an opportunity to consider feedback received and how best to respond to such feedback.</p> <p>The Council also has in place a complaints procedure.</p>
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group.
Taking account of the impact of decisions on future generations of tax payers and service users.	All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society. All reports also include a consideration of the financial implications (both short and long term) of matters which are being recommended for a decision.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.	
3.1 Defining Outcomes	
Having a clear vision, which is a clear formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy planning and other decisions	There is a clear statement of the organisation's purpose in the Tonbridge & Malling Borough Council Corporate Strategy 2020-23 2023-25 . This document sets out the key priorities for the authority and how the Council will work with a range of partners and the local communities towards achieving the objectives.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<p>Committee reports all contain an assessment of risk of the options being presented for a decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk.</p> <p>Where any decision is recommended, reports contain an analysis of the intended impact or changes for stakeholders and the timescale on which that is anticipated to happen. Decisions which may have a disproportionate impact on a certain section of society are subject to an Equalities Impact Assessment.</p>

<p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p>	<p>The Council's Medium Term Financial Strategy covers both revenue and capital budgets, and it is this strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Alongside the MTFS sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead.</p>
<p>Identifying and managing risks to the achievement of outcomes</p>	<p>The Council has arrangements in place to effectively monitor and manage risks to its business through the risk management strategy and strategic and service risk registers.</p> <p>Committee reports all contain an assessment of risk of the options being presented for a decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk.</p>
<p>Managing service users' expectations effectively with regard to determining priorities and making the best use of the available resources</p>	<p>The Council is accountable to the citizens of Tonbridge and Malling in delivering its duties and responsibilities. The Council manages relationships with partners and consults the public through a number of mechanisms, including regular reporting to members, partnership arrangements (supported by partnership agreements) and the provisions of the Council's constitution.</p>
<p>3.2. Sustainable economic, social and environmental benefits.</p>	
<p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p>	<p>Value for money considerations are set out in all committee reports, and the Council's external auditors have consistently found that the Council does give value for money. The social impact of decisions is considered throughout the decision-making process, including the carrying out of an Equalities Impact Assessment where it is considered that a recommendation may have a disproportionate impact on a particular section of society.</p> <p>Where relevant, policies are subject to Strategic Environmental Impact Assessment prior to adoption.</p> <p>The Council adopted a Climate Change strategy in 2020. The in-year action plans for 2020/21, and 21/22 and 22/23 were approved by the Council's executive. A further action plan for 22/23 is due to be adopted shortly. The in-</p>

	year action plans set out climate change targets for the Council for that year along with timetables for implementation.
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.	The Corporate Strategy, together with the Medium Term Financial Strategy and supported by the Savings and Transformation Strategy set out the long term high level objectives of the Council.
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Council, Committee and advisory board reports set out all relevant considerations to enable members to make decisions which are appropriate and lawful.
Ensuring fair access to services	The Council has an equalities policy which seeks to ensure fair access to the Council's services by all sections of society.
4. Determining the interventions necessary to optimize the achievement of the intended outcomes	
4.1. Determining interventions.	
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks, therefore ensuring best value is achieved however services are provided.	<p>Decision making mechanisms are set out in detail in the Council's constitution. Whether a decision is at council, cabinet or committee level it is informed by a report encompassing advice from relevant services across the Council.</p> <p>Where relevant, alternative options are presented within committee reports, with an assessment of the benefits and disadvantages of those options.</p> <p>The Council's enforcement policies will inform a decision where legal or regulatory action is</p>

	<p>an option and reports will detail the legal implications of such action.</p>
<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>Where appropriate, the Council carries out consultation with stakeholders, which is taken into account in the decision-making process. Consultations are published on the Council's website, or where statutory rules apply to such consultation those rules are followed.</p> <p>In addition, the Council uses its complaints procedure to understand where services can be improved.</p>
<p>4.2 Planning Interventions</p>	
<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<p>Strategic and operational plans (such as the Corporate Strategy) are reviewed on a regular basis.</p> <p>Feedback from consultations is taken into account in the decision-making process and reported to the relevant committee, cabinet or Council meeting.</p> <p>The Savings & Transformation Strategy (STS) has been prepared in order to support the achievement of the Council's Medium-Term Financial Strategy and direct resources in line with the Council's Corporate Strategy. The STS recognizes that there is no one simple solution to addressing the financial challenges, and that the Council needs to embrace transformation in a multitude of ways in order to deliver savings within an agreed timetable. The STS sets out a measured structure and framework for delivering the necessary savings through a series of themes; each theme having a deliverable target.</p>
<p>Engaging with internal and external stakeholders in determining how services and other courses of action should be delivered</p>	<p>The Corporate Strategy, medium term financial strategy and other key policies are set by cabinet or the Council following input from all service directors and the Chief Executive.</p>
<p>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p>	<p>Reports on proposals for shared services contain a risk assessment, and risks are mitigated through the shared service agreements.</p>
<p>Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances</p>	<p>The Council has an internal procurement officers' group which meets to consider the Council's contracting arrangements.</p> <p>The Council's Contract Procedure Rules and standard contract terms are reviewed regularly</p>

	to ensure they are up to date with current best practice.
Establishing appropriate Key Performance Indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.	Performance indicators are monitored within each service and reported to Management Team where appropriate.
Ensuring capacity exists to generate the information required to review service quality regularly	It is the responsibility of service directors and Management Team to ensure sufficient capacity exists.
Preparing budgets in accordance with objectives, strategies and the medium-term financial plan	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget-setting process for the forthcoming year and over the strategy period.</p> <p>Budgetary control is undertaken on a monthly basis by services, who report known variations to Financial Services. These variations along with detailed monitoring of the Council's Salary Budget and Major Income Streams are reported to the Corporate Management Team and then onto Members via the Finance, Innovation and Property Advisory Board as part of the cycle of Councils meetings programme.</p>
Informing medium and long-term resource planning by drawing up realistic estimates for revenue and capital expenditure aimed at developing a sustainable funding strategy	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period.</p> <p>The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.</p> <p>The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Underneath the Strategy sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures. It is acknowledged that circumstances will change and for this reason the Strategy needs to, and will, be kept under regular review.</p>
4.3 Optimising achievement of intended outcomes	

<p>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p>	<p>The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy.</p>
<p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p>	<p>The budget monitoring process considers both revenue and capital budgets.</p> <p>Budget for the following financial year and longer term financial planning through the MTFS takes account of the impacts for service delivery through potential changes in client base, housing need and levels.</p> <p>The MTFS takes into account changes in Government Funding where these are known. Where these factors are unknown these are judged by officers and shared and confirmed with Members.</p>
<p>Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage</p>	<p>In considering the preparation of the Budget for the current and future financial years, Chief Officers are asked to identify potential growth issues and savings for future years that can be assessed and included with the MTFS. This may include changes in demand for services, including the growth in property, and proposed changes in fees and charges.</p>
<p>Ensuring the achievement of “social value” through service planning and commissioning</p>	<p>The Council has a Social Value Policy Statement. Whilst the issues of cost and quality remain of key concern, the concept of social value means that where appropriate, the Council can seek to achieve added social benefits in its procurement processes that may otherwise not have been achieved by other means.</p>
<p>5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	
<p>5.1. Developing the entity’s capacity</p>	
<p>Improving resource use through appropriate application of techniques such as benchmarking and other options to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</p>	<p>The Council works towards improving value for money through:</p> <ul style="list-style-type: none"> • Exploration of innovative ways of working including potential for joint-working and shared services • Robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities • Internal and external audit • Publication of annual budget and accounts information

Recognizing the benefits of partnerships and collaborative working where added value can be achieved	The Council works in partnerships with other authorities in Kent. A commitment to working in partnership is one of the Council's stated Corporate Objectives.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<p>The Council has an extensive training programme for council officers including mandatory and voluntary training.</p> <p>The Council actively engages with its staff through:</p> <ul style="list-style-type: none"> • Team meetings • Regular performance management meetings • The Joint Employee Consultative Committee <p>The HR Strategy incorporates the Council's Workforce Development Plan which is due to be reviewed and updated in light of recommendations made following the Peer Review Challenge 2022..</p> <p>The Council's digital strategy seeks to develop solutions which will increase the efficiency of the Council's resources.</p>
5.2. Developing the capability of the entity's leadership and other individuals.	
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<p>The Council examines the capability of its people with governance responsibilities through appraisals, identifying any training gaps – the relevant training programmes are updated accordingly.</p> <p>The Cabinet and Overview and Scrutiny Committee have developed a Cabinet/Scrutiny protocol which sets out their respective roles.</p>
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	The Council's constitution sets out clearly the decision-making powers of the Council and its bodies and officers.
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for the other's authority	the roles of the Leader of the Council and Chief Executive are clearly defined in the Council's Constitution.

<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organization to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.</p>	<p>The Council has a training programme for Members and holds regular training sessions (both on a programmed and ad hoc basis) for Members on a variety of topics:</p> <ul style="list-style-type: none"> • Induction training for all new members • Service-specific training, e.g. Community Safety • Committee-specific training, e.g. Audit Committee, Planning Committee
<p>Ensuring that there are structures in place to encourage public participation</p>	<p>Consultations are published on the Council's websites. In relation to decisions taken by the Council on planning matters, and certain matters under the Licensing Act 2003, members of the public are able to make both written and oral representations to the committee. The Council also operates a petition scheme.</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs</p>	<p>Staff have access to appropriate induction training, and ongoing training on both an ad hoc and programmed basis relevant to their roles.</p> <p>The annual appraisal process reviews staff performance and also identifies training needs.</p> <p>Staff training takes place both through internal and external provision as appropriate.</p>
<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<p>The council has a Health and Wellbeing statement of intent recognizing that the Council's staff are its most valuable asset. The HR Strategy also recognizes the same. The Council has a Joint Employee Consultative Committee which enables employees to raise matters of concern, including health and wellbeing.</p>
<p>6. Managing risks and performance through robust internal control and strong public financial management</p>	
<p>6.1. Managing risk</p>	
<p>Recognizing that risk management is an integral part of all activities and must be considered in all aspects of decision making</p>	<p>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. The</p>

	<p>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.</p>
<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p>	<p>The Council has arrangements in place to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> • Risk Management Strategy • Strategic Risk Register • Service Risk Registers • Audit Committee role in scrutinising corporate risk • Consideration of risk in all Committee reports • Annual Governance Statement <p>The strategic and service risk registers are updated regularly.</p> <p>Risks associated with decisions are set out on relevant committee, cabinet or council reports.</p> <p>The Council's standard report template requires Officers and Members to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.</p>
<p>Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<p>The service risk registers clearly identify responsibilities for managing individual risks.</p>
<p>6.2. Managing performance.</p>	
<p>Making decisions based on relevant, clear and objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p>	<p>The performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Management Team and Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.</p>
<p>Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of</p>	<p>The overview and scrutiny committee and the three Scrutiny Select Committees ("SSCs") are responsible for reviewing and scrutinizing the decisions made (or due to be made) by cabinet members and by Cabinet collectively.</p>

<p>any organization for which it is responsible (or for a committee system) encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</p>	<p>The Overview and Scrutiny Committee and SSCs are also responsible for reviewing the performance of the Cabinet, Cabinet members, Committees and Council Officers.</p> <p>Decisions made by Cabinet, a Committee or by a Cabinet Member can be subjected to scrutiny via a call-in procedure allowing challenge within 5 working days of the decision being taken.</p>
<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p>The Council has in place committees & boards with cross-party representation to ensure effective and robust discussion of issues. Relevant boards, committees and the executive are provided with information reports on a regular basis to provide progress reports on service delivery and outcomes.</p>
<p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p>	<p>The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy, which ensures consistency between budget-setting and service delivery.</p> <p>Capital schemes are subject to evaluation prior to the approval for implementation; the criteria of the evaluations are set by Council.</p> <p>Following the scheme's completion a post implementation review will be prepared and shared with members in order to determine the accuracy of the initial evaluation and identify lessons to be learned and considered in future evaluations.</p>
<p>6.3 Robust internal control</p>	
<p>Ensuring effective counter-fraud and anti-corruption measures are in place</p>	<p>The Council has an effective Internal Audit service and Anti-Fraud service in place. The Council also has an Anti-Fraud and Corruption Policy and Whistleblowing Policy.</p>
<p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<p>The Council has in place arrangements to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> • Risk management strategy

	<ul style="list-style-type: none"> • Strategic risk register • Service risk registers
Establishing an audit committee or equivalent group/function which is independent of the executive and accountable to the governing body	The core functions of an audit committee as defined by <i>CIPFA's Audit Committees: Practical Guidance for Local Authorities</i> are fulfilled by the Council's Audit Committee. The Council's Constitution sets out the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment. To do so, the Audit Committee has adopted a Risk Management Strategy that sets out the roles of Officers and Members in the identification and minimisation of risk. The Risk Register is a standing item at every Audit Committee meeting
6.4 Managing Data	
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>The Council maintains a number of local policies which support and embed information processes. These include</p> <ul style="list-style-type: none"> • Data Protection policy • Information Security policy • Data Retention policy • Use of removable media policy • Remote access policy • Social media policy • Information Asset register • Information Governance Policy <p>The Council has a Data Protection Officer, appointed in accordance with GDPR, with overall responsibility for ensuring the Council follows proper data protection practices. The DPO chairs the Council's Information Governance Group ("IGG") which meets regularly to discuss data protection and related matters within the Council, including data breaches.</p> <p>Individual services have representatives appointed to sit on the IGG and feed back into their services to raise and maintain awareness of the requirements of GDPR.</p>
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	The Council is a signatory to the Kent & Medway Information Sharing Agreement, which prescribes the procedures that are to be followed when sharing data with other public sector bodies in Kent. The Data Protection Officer, or his appointed Deputy, attend the Kent & Medway Information Sharing Partnership, which seeks to share best practice under GDPR across all Kent authorities.

<p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<p>An annual risk-based Internal Audit Plan is prepared to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Plan aims to ensure that sufficient audit assurance work is carried out to enable the Chief Audit Executive to deliver an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council. Each audit review will cover data quality and accuracy relevant to the subject area.</p>
<p>6.5 Strong public financial management</p>	
<p>Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance</p>	<p>The Council's Financial Procedure Rules support the provision of high quality financial advice. The Council also acts in consultation with stakeholders. The Council's Internal Audit Service provides assurance on the quality of financial and performance data reported.</p> <p>The ongoing budget-setting and monitoring process together with the Medium Term Financial Strategy supports the long-term achievement of outcomes and short-term financial and operational performance.</p>
<p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<p>Annual budgets are set with involvement from budget holders across all council services. The MTFS is set considering longer-term risks.</p>
<p>7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>7.1 Implementing good practice in transparency</p>	
<p>Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p>	<p>The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code. The Council has set up a steering group which meets to discuss changes to the code and its ongoing implementation.</p> <p>Reports for both historic and prospective meetings of the Council and its committees and boards are made available to the public through the Council's website.</p> <p>Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt from publication for reasons set out in the Local Government Act 1972) are made public and can be accessed through the Council's website.</p>

Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt as discussed above) are made public and can be accessed through the Council's website.
7.2 Implementing good practice in reporting	
Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	<p>Annual Statement of Accounts report the Council's financial performance against the original estimate set for that financial year. The statement is prepared in accordance with the CIPFA Code for Local Authority Accounting.</p> <p>Included within the financial statements will be a judgement from the Council's external auditors on value for money and adequate use of resources.</p> <p>Included within the financial statements is the Annual Governance Statement. This is approved by Members and signed by the Chief Executive and Leader of the Council and provides evidence on the Council's adherence to the Code of Corporate Governance.</p>
Ensuring members and senior management own the results reported	The Annual Governance Statement is approved by the leader and Chief Executive, and the financial statements are considered and approved by Management Team and the Audit Committee.
Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	Compliance is reviewed on an annual basis and reported to Audit Committee.
Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate	Where appropriate, the principles will be applied to jointly managed or shared services.
Ensuring that performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparisons with other, similar, organisations.	Performance information is included as part of the budget-setting process.
7.3 Assurance and effective accountability	
Ensuring that recommendations for corrective action made by external audit are acted upon	Responsibility for acting upon recommendations from external audit rests with the relevant service, and is monitored

	through individual service management teams and the corporate management team.
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	The Council has an effective internal audit service, and an Audit Committee.
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	The Council takes an active part in Peer Reviews, the most recent being the LGA Peer Review Challenge 2022. The Council is in the process of has implemented the majority of recommendations arising from that exercise, with the remaining recommendations in progress.
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risks are picked up through the contract monitoring process and reported through Audit Committee. Service delivery and performance can be scrutinised through Overview and Scrutiny Committee or the relevant Scrutiny Select Committee
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognized and met	Such arrangements are subject to public reports to each authority in the partnership. The Contracts Procedure Rules also ensure that standard contract terms are imposed ensuring proper accountability.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2022/23

The report provides an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2022/23 is also included in this report.

1.1 Introduction

1.1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1.1.2 Following the Treasury Management training provided to Members in June 2023 the Chairman expressed an interest to invite our externally managed funds to present to the Committee.

1.1.3 Kelly Watson, Head of Local Government Relationships from CCLA will be in attendance **at the beginning of the meeting** to present the LAPF Portfolio which will include the fund performance and the sustainable investment outcomes.

1.2 Economic Background

1.2.1 CPI inflation remained at 8.7% in May (consensus 8.4%), however core CPI inflation, which excludes volatile goods and services such as the food and fuel prices, rose again from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, provide an explanation to why overall CPI inflation didn't rise.

1.2.2 The scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. However with the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.

- 1.2.3 This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- 1.2.4 The Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the MPC did not strengthen its forward guidance that any further rate hikes would be conditional on the data.
- 1.2.5 It looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. The consensus is it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession.
- 1.2.6 The markets have currently priced in rises to between 6.00%-6.25%, however the Councils appointed treasury advisors, Link Group, have formulated a view that the rates will more likely peak between 5.50-6.00%. The forecast is also for rates to be cut in the second half of 2024, and rates are expected to fall further than markets are currently pricing in.

1.3 Interest Rate Forecast

- 1.3.1 The Link Group's latest interest rate forecast below has been revised to reflect the further increases in the Bank Rate to dampen inflation. The latest forecast sets out a view that both short and long-dated interest rates will be elevated for some while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market. Link's forecast was updated following the MPC meeting on 22 June 2023, assumes Bank Rate will continue to increase and peak at 5.50% before gradually reducing over the next two years.

Link - June 2023	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50
3 mth ave earnings	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50
6 mth ave earnings	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60
12 mth ave earnings	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70
25yr PWLB	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80

Table 1

1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.
- 1.4.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during a financial year and are spent by financial year end. Thus far in 2023/24 cash flow surpluses have averaged £26m per day.
- 1.4.4 The Authority also has £24m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.
- 1.4.5 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2023/24 and future years.
- 1.4.6 Long term investments at the end of June 2023 comprised £5m in property fund investments.
- 1.4.7 Medium term investments at the end of June 2023 comprised £4.25m in multi-asset diversified income funds.
- 1.4.8 A full list of investments held on 30 June 2023 is provided at **[Annex 1]** and a copy of our lending list of 30 June is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of June.

	Funds invested on 30 June 2023	Average duration to maturity	Weighted average rate of return	SONIA benchmark (average)	Interest / dividends earned	Gross annualised return
	£m	Days	%	1 April to 30 June 2023 %	1 April to 30 June 2023 £	%
Cash flow	26.32	8	4.84	4.72	308,685	5.43
Core cash	24.00	66	4.50	4.97	290,093	4.47
Sub-total	50.32	36	4.62	4.93	598,778	4.68
Long term	5.00				45,350	3.63
Medium term	4.25				54,352	5.12
Total	59.57				698,480	4.35

Table 2

- 1.4.9 **Cash flow and Core cash Investments.** The SONIA benchmark remains on an upward trajectory due to the increasing rates from the Bank of England's MPC. Due to the longevity of some of the core investments made during 2022/23 the invested interest rates are below this level. Therefore, this is having an offsetting effect on the positive cashflow returns.
- 1.4.10 Interest earned of £598,778 to the end of June is £317,530 higher than the original estimate for the same period. The increase in income reflects the continued upward movement of interest rate rises and the favourable rates that are currently offered by the markets.
- 1.4.11 Bank offers are expected to continue to increase throughout 2023/24 if MPC rates continue to rise. As a result, cash flow and core cash investment income will outperform the original budget. Further analysis will be carried out over the summer to refine the projections and the revised level of treasury investment income will be reported to members at a later date.
- 1.4.12 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. At 31 March 2023 the Council's return at 4.29% (purple diamond) was above the local authority average of 3.68%. 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 also consistent with the local authority average.

- 1.4.13 **Long-term Investment.** £5m of the Council's expected longer term (10 years) cash balances has been invested in three externally managed property funds. These investments provide a stable annual income to meet the Council needs and provide capital growth over time.
- 1.4.14 Additional property fund investments could be made in the future where resources become available from asset disposals and other windfalls.
- 1.4.15 During the period 1 April 2023 to 30 June 2023 the £5m investment in property funds generated income from dividends of £45,350 which represents an annualised return of 3.63%. Income is in line with the budget to the end of June.
- 1.4.16 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 or redemption of units avoided.
- 1.4.17 Current sale value (June 2023 data) vs initial purchase price are as follows:

Property fund	Purchase price	Sale value at date of purchase	Sale value 30 June 2023	30 June 23 sale value above (below) purchase price (c-a) £
(Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	a	b	C	
	£	£	£	
LAPF (Primary, July 2017)	1,000,000	922,200	914,400	(85,600)
Lothbury (Primary, July 2017)	1,000,000	927,700	806,300	(193,700)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	951,300	(48,700)
LAPF (Primary, June 2018)	1,000,000	922,200	876,800	(123,200)
Lothbury (Secondary, July 2018)	1,000,000	973,000	790,700	(209,300)
Total change in principal	5,000,000	4,684,100	4,339,500	(660,500)
			Total dividends received to June 2023	959,800
			Net benefit since inception	299,300

Table 3

- 1.4.18 Since inception, the Council has received dividends from its property fund investments totalling £959,800. Commercial property values having momentarily

recovered from the impact suffered from Covid-19, has faced new challenges including rising inflation. All property fund investments recorded capital depreciation in the period April 2023 to June 2023.

- 1.4.19 Lothbury Property Trust is in the process of an internal restructure including an in depth analysis of their property portfolio and their medium to long term strategy. Their new strategy has been presented to Officers and will be shared with relevant Members for further discussions in the coming weeks.
- 1.4.20 Members are reminded that higher yielding investments (e.g. property, bonds, and 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 criterion. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.
- 1.4.21 **Medium-term investment.** £4.25m of the Council's expected medium term cash balances together with new money derived from the sale of asset has been invested in externally managed diversified income funds. These investments will generate an annual income stream and will provide capital appreciation over time.
- 1.4.22 Additional multi asset fund investments could be made in the future where resources become available from asset disposals and other windfalls.
- 1.4.23 During the period 1 April 2023 to 30 June 2023 the £4.25m investment in multi asset diversified income funds generated income from dividends of £54,352 which represents an annualised return of 5.12%. Income has performed some £16,100 above budget to the end of June.
- 1.4.24 Since inception the Council has received dividends of £298,350 from its multi-asset diversified income funds, which represents an annualised return of 4.0%
- 1.4.25 As at 30 June, the value of multi asset diversified income funds stood at £3.655m compared to the initial capital investment of £4.250m. Capital values are expected to recover over the medium term.

1.5 Compliance with the Annual Investment Strategy

- 1.5.1 Throughout April to June 2023, all the requirements contained in the 2023/24 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit rating; durational limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April, May or June 2023.
- 1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy. The 2023/24 Prudential and Treasury

Indicators will be included for review as part of the treasury management report to the September 2023 meeting of Audit Committee.

1.6 2022/23 Treasury Management Outturn

1.6.1 A detailed report covering treasury management activity for the last financial year was submitted to Cabinet on 6 June 2023 as an annex to the Revenue and Capital Outturn report for 2022/23. That annex is replicated in full and provided at **[Annex 4]** to this report. The role of this Committee is to act as scrutineer on behalf of full Council.

1.6.2 A summary of the investment performance included in Annex 4 is as follows:

	2022/23 Average balance £m	Return %	2022/23 Interest/ dividends earned £	2022/23 Revised Estimate £	Variance Better (worse) £
Cash flow surpluses	32.4	2.29	741,297	218,000	523,297
Core cash	26.0	2.59	676,831	410,900	265,931
Medium term investment	4.3	4.10	174,311	153,000	21,311
Long term investment	5.0	3.44	172,216	170,000	2,216
Total	67.7	2.60	1,764,655	951,900	812,755

Table 4

1.6.3 The combined performance of the Authority's investments exceeded the revised estimate by £812,755, and £1.367m when compared to the 2022/23 original estimates. The increase in investment returns is mainly due to the level and speed at which Bank Rate has risen throughout 2022/23.

1.6.4 Income and expenditure attributed to the Treasury Management function for 2022/23 is provided at **[Annex 5]**. 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 and is subject to changes in the level of reserves and changes in Bank Rate. Expenditure in future years is expected to rise in-line with inflation.

1.7 Legal Implications

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

1.8 Financial and Value for Money Considerations

- 1.8.1 Due to the continuing domestic pressures of inflation driven by a number of factors including labour market and supply shortages, UK/EU trade arrangements and Geopolitical risks, the BoE continue to increase Bank Rate in an attempt to dampen inflation which remained at 8.7% in May 2023. The current Bank Rate was again increased in June 2023 bring it to 5.0%. Link's current forecast (updated June 2023) anticipates Bank Rate increasing to 5.50% by March 2024 and remaining elevated before steadily reducing to 2.50% by March 26.
- 1.8.2 Investment income at the end of June 2023 (month three of the financial year) from cash flow surpluses and core cash investments is a favourable variance of £317,530 to the budget for the same period. Income from property funds at the end of June is in line with the budget and diversified income funds are exceeding the budget by some £16,100 for the same period. Investment income for the financial year as a whole from these sources is expected to outperform the original budget.
- 1.8.3 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.
- 1.8.4 Whilst the annual income stream from a property fund exhibits stability (circa 3-4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.
- 1.8.5 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.
- 1.8.6 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 twelve 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.
- 1.8.7 The Lothbury Property Trust restructure and analysis of their portfolio could result in current investors taking the opportunity to redeem shares in pursuit of shorter term gains. The Trust has exercised the right to delay redemption requests up to 12 months to manage the sale of assets.

1.8.8 Multi asset (diversified income) funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property, cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events. Multi asset funds are being used for medium-term investment implying but not limited to a five-year timeframe.

1.9 Risk Assessment

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

1.9.2 Treasury Management training was provided for all Members on 19 June 2023 by Link Group.

1.10 Equality Impact Assessment

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

1.11 Recommendations

1.11.1 Members are invited to **RECOMMEND** that Council:

- 1) Endorse the action taken by officers in respect of treasury management activity for April to June 2023.
- 2) Note the 2022/23 outturn position.

Background papers:

contact: Donna Riley

Link interest rate forecast (June 2023)

Link benchmarking data (March 2023)

Sharon Shelton

Director of Finance and Transformation

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Tonbridge and Malling Borough Council - Investment summary 30 June 2023

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	5.05	5.04%		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	4.85	3.36%		2,000,000		
Handelbanken : Fixed term deposit	UK	AA	F1+	1 year	16/01/2023	17/07/2023	6 Month	3,000,000	4.10	5.04%		3,000,000		
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	6,000,000	5.00	10.07%	6,000,000			
Lloyds Bank : Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	06/01/2023 19/01/2023	06/07/2023 19/10/2023	6 Months 9 Months	3,000,000 3,000,000	4.15 4.59	10.07%		3,000,000 3,000,000		
National Westminster Bank : Deposit account	UK	A+	F1	1 year	30/06/2023	03/07/2023	Overnight	50,000 50,000	1.15	0.08%	50,000			
Rabobank : Fixed term deposit	Netherlands	A+	F1	1 year	15/12/2022	15/09/2023	9 Months	3,000,000	4.50	5.04%		3,000,000		
Royal Bank of Canada : Certificate of Deposit	Canada	AA-	F1+	1 year	03/10/2022	03/10/2023	1 Year	3,000,000	5.30	5.04%		3,000,000		
Toronto Dominion Bank : Certificate of Deposit Certificate of Deposit	Canada	AA-	F1+	1 year	12/12/2022 11/07/2022	12/12/2023 07/07/2023	1 year 1 year	4,000,000 2,000,000 2,000,000	4.78 2.84	6.71%		2,000,000 2,000,000		
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/06/2023	03/07/2023	Overnight	0	4.75		-			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/06/2023	03/07/2023	Overnight	5,420,000	4.93	9.10%	5,420,000			
CLLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	30/06/2023	03/07/2023	Overnight	8,000,000	4.78	13.43%	8,000,000			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	30/06/2023	03/07/2023	Overnight	0	4.80		-			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	30/06/2023	03/07/2023	Overnight	6,855,000	4.73	11.51%	6,855,000			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	30/06/2023	03/07/2023	Overnight	0	4.76		-			
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	3.53	1.68%				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 4.78	3.36%				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	2.88 2.88	3.36%				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		2.94%			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		1.68%			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		2.52%			1,500,000	
Total invested								59,575,000		100.00%	26,325,000	24,000,000	4,250,000	5,000,000

Number of investments	25	Average investment value £		2,383,000
Number of counter parties	21	Average counter party investment £		2,837,000
Group exposures:	Core £	Cash £	Combined £	%
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)	-	50,000	50,000	0.08
Bank of Scotland + Lloyds (MAX 20%)	6,000,000	-	6,000,000	10.07
Property Funds Total			£	%
Multi Asset Funds Total			5,000,000	8.39
			4,250,000	7.13

Total non-specified investments should be less than 60% of Investment balances	15.53%
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Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2023.

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 30/06/23
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	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
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 :

Australia & New Zealand Banking Group	Australia	AAA	A+	F1	n/a	£7m	1 year	1 year
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

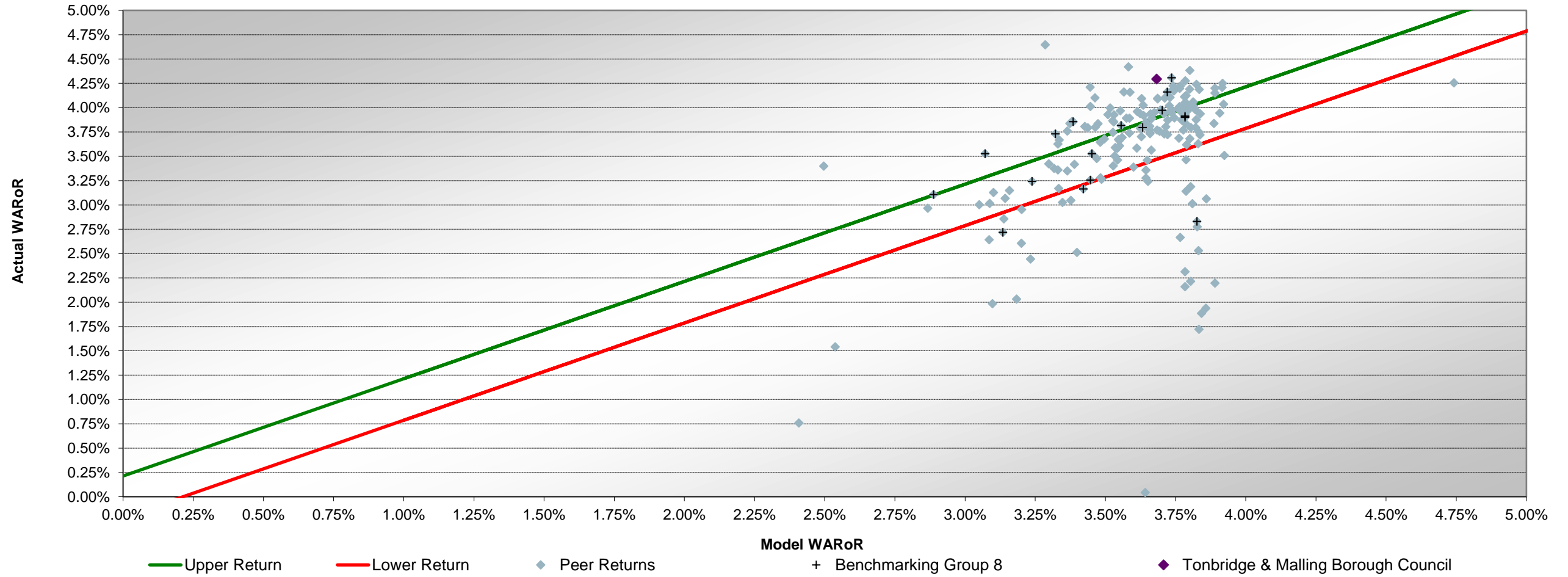
Approved by Director of Finance and Transformation
03 July 2023

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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	4.29%	3.68%	0.61%	3.47%	3.90%	Above

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Tonbridge and Malling Borough Council

Treasury Management Annual Report 2022/23

1.1 Introduction

1.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activity and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.1.2 During 2022/23 the minimum reporting requirements were that full Council should receive the following treasury reports:

- an annual strategy in advance of the year;
- a mid-year review; and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, treasury management updates have been presented to each meeting of the Audit Committee throughout the 2022/23 financial year. Treasury performance is also included in the Financial Planning and Control reports to Cabinet or the Finance, Regeneration and Property Scrutiny Select Committee.

1.1.3 Changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

1.1.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to full Council.

1.2 Treasury Position 31 March 2023

1.2.1 At the beginning and the end of 2022/23 the Council's debt and investment position was as follows:

	31 March 2022 £m	Rate / Return %	Average duration Days	31 March 2023 £m	Rate / Return %	Average duration Days
Variable rate debt:						
Overdraft	0.0	-	-	0.0	-	-
Total debt	0.0	-	-	0.0	-	-
Fixed rate investments:						
Cash flow surpluses	0.0	-	-	0.0	-	-
Core cash	21.0	0.69	120	23.0	4.49	147
Variable rate investments:						
Cash flow surpluses	22.1	0.52	5	19.6	4.15	10
Core cash	3.0	0.15	95	3.0	4.30	95
Sub-total	46.1	0.62	63	45.6	4.33	85
Medium term investments:						
Multi-Asset Income Funds	4.3	3.87	-	4.3	4.10	-
Long term investments:						
Property Funds	5.0	3.17	-	5.0	3.44	-
Total investments	55.4	0.82	-	54.9	2.60	-

1.2.2 There has been a downward movement in year due to reduction in Short Term Creditors including Government Grants received in advance being paid during 2022/23, which has been offset by the increase in Grants and Contributions in advance held in Long Term Liabilities.

1.3 The Strategy for 2022/23

1.3.1 The treasury management strategy for 2022/23 was based on the November 2021 forecast and assumed bank rates would increase to 1.25% over the next three years. In actuality, energy costs continue to sit at unprecedented levels; the conflict in Ukraine is ongoing and inflationary pressures have remained elevated. Upward inflationary pressures have seen the Bank of England's Monetary Policy Committee opting to apply stepped increase to the Bank Rate of either 0.25% or 0.50% throughout 2022/23. Bank Rates is expected to continue to rise in early 2023/24 before dropping back in late 2024.

1.3.2 This has provided the Council with the challenge of proactively investing surplus cash and maintaining the appropriate balance between cash for liquidity purposes while pursuing opportunities to lock in deposits at favourable rates.

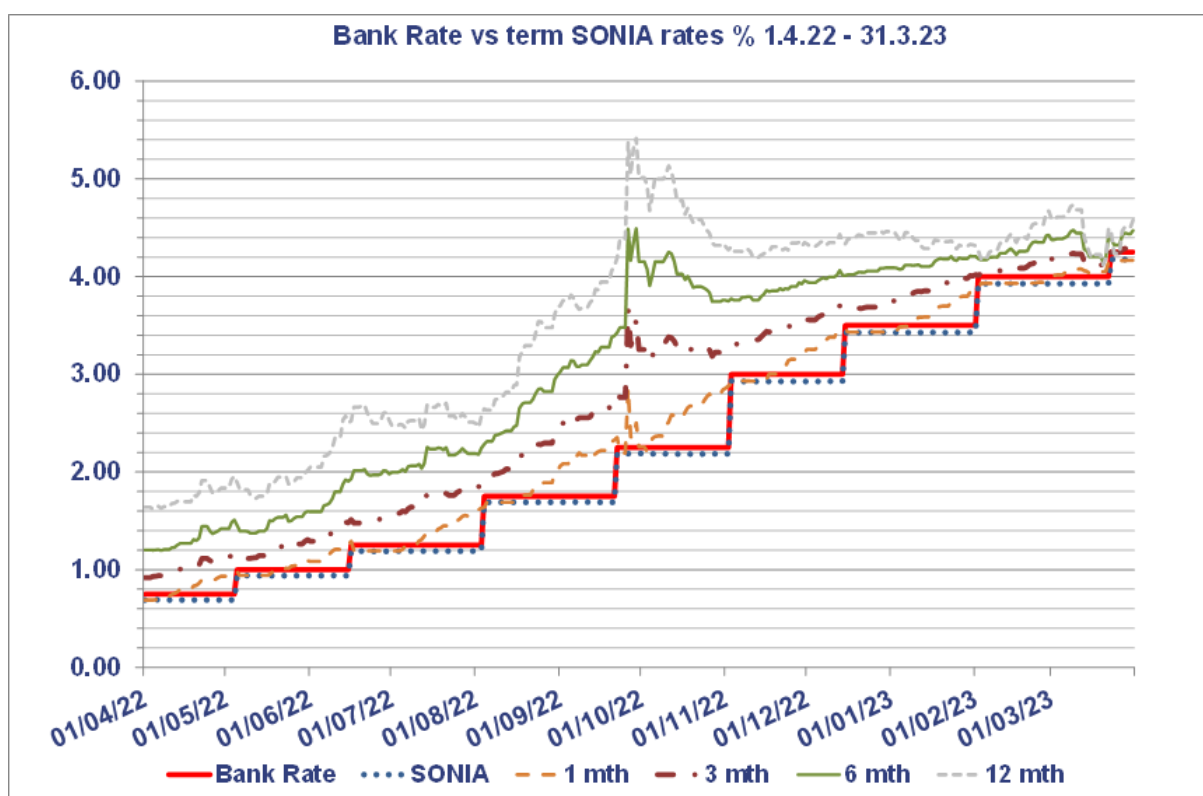
1.3.3 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme market stress and economic conditions.

1.4 Investment Rates in 2022/23

1.4.1 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was needed.

1.4.2 Starting April at 0.75%, Bank Rate continued to move up in stepped increased of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

1.4.3 Bank Rate and investment returns across durations of up to 12 months are depicted in the graphs below.



1.5 Investment Outturn for 2022/23

- 1.5.1 The Council's investment policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies. This is supplemented by additional market information including credit rating outlooks and credit default swap data (CDS). The 2022/23 Annual Investment Strategy was approved by Council in February 2022 and was subjected to a mid-year review in September 2022. In undertaking the review, no changes were made to the Council's minimum counter-party credit requirement (typically Fitch A-, F1 unless UK state owned) or counter-party exposure limits (maximum of 20% of funds per financial institution). Subject to constraints, discretion to extend investment duration for UK regulated financial institutions by up to six months over the Council's external treasury advisor's suggested duration was also retained.
- 1.5.2 **Cash flow investment.** In 2022/23 cash flow surpluses averaged £32.4m and earned an average rate of return of 2.29%. The benchmark used to compare performance was 2.25%. Cash flow surpluses arise from the timing difference between the receipt of monies (from council tax, business rates, grants, etc.) and its subsequent payment (to Government, precepting authorities, housing benefit recipients, suppliers, staff, etc.). Cash flow surpluses are required to meet regular payment obligations and are invested in bank deposit accounts and money market funds which allow next day access. The opportunity to invest for longer durations and generate additional yield is taken when cash flow surpluses permit.
- 1.5.3 **Core cash investment.** In 2022/23 core cash averaged £26.0m and earned an average rate of return of 2.59%. The benchmark used to compare performance was 2.73%. Core cash comprises the authority's revenue and capital reserves. Unlike cash flow, core cash is not required to meet regular payment obligations and is available to invest for longer durations including durations exceeding one year. This added flexibility allows core cash to generate a better return relative to cash flow surpluses.
- 1.5.4 **Medium-term investment.** In recent years multi asset (diversified income) funds have grown in popularity. Like property funds, multi asset funds aim to generate returns over and above inflation and thus preserve spending power.
- 1.5.5 A total of £3m was initially invested equally across three funds in July and August, with a further £1.25m invested in November 2021 across two of the funds with the proceeds from the sale of River Walk offices. Additional multi asset fund investments may be made in the future as resources become available from asset disposals and other windfalls.
- 1.5.6 In 2022/23 the investment in multi asset funds generated dividends of £174,311 which represents an annualised return of 4.10%.
- 1.5.7 As at 31 March 2023, the capital investment has depreciated in value by £550,104. The value of multi asset diversified income funds at 31 March stood at £3.70m. Members are reminded that our muti asset diversified income funds

are medium term investments (5+ years) and the funds applied to them are not required to meet day to day spending commitments.

- 1.5.8 **Long-term investment.** Of the different types of long-term investment (equities, bonds, and commercial property), investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.
- 1.5.9 This does not however, preclude consideration of an alternative investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return commensurate with the Council's risk appetite. Each such opportunity to be considered on a case-by-case basis as appropriate.
- 1.5.10 At the start of the year £5m was invested in property investment funds and no further sums were invested during the year. 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 may be made in the future as resources become available from asset disposals and other windfalls.
- 1.5.11 In 2022/23 investment in property funds generated dividends of £172,216 which represents an annualised return of 3.44%.
- 1.5.12 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 or redemption of units avoided. The table below compares the sale value of each investment if sold to the fund manager with the initial purchase price.

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 March 2023 (c) £	March sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	914,835	(85,165)
Lothbury (Primary, July 2017)	1,000,000	927,700	819,780	(180,220)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	951,190	(48,810)
LAPF (Primary, June 2018)	1,000,000	922,200	877,145	(122,855)
Lothbury (Secondary, July 2018)	1,000,000	973,000	803,980	(196,020)
Total	5,000,000	4,684,100	4,366,930	(633,070)

1.5.13 As at 31 March 2023, the capital investment has depreciated in value by £633,070. Members are reminded that our property fund investments are long-term (10 years) and the funds applied to them are not required to meet day to day spending commitments.

1.5.14 **Summary.** Investment performance for the year 2022/23 is summarised in the table below:

	2022/23 Average Balance £m	Return %	2022/23 Interest/ dividends earned £	2022/23 Revised Estimate £	Variance Better (worse) £
Cash flow surpluses	32.4	2.29	741,297	218,000	523,297
Core cash	26.0	2.59	676,831	410,900	265,931
Medium term investment	4.3	4.10	174,311	153,000	21,311
Long term investment	5.0	3.44	172,216	170,000	2,216
Total	67.7	2.6	1,764,655	951,900	812,755

1.5.15 The overall performance of the Authority's investments bettered the revised estimates by £812,755 (£1,367,555 when compared to the 2022/23 original estimates).

1.6 Compliance with the Annual Investment Strategy

1.6.1 The Annual Investment Strategy aims to limit the Council's exposure to investment risks by prescribing: minimum counterparty credit criteria; maximum exposure limits in respect of sovereigns, counterparties, and groups of related counterparties; the type of investment instrument that can be used; and investment duration limits. Throughout the period April 2022 to March 2023 the requirements set out in the Annual Investment Strategy for 2022/23, as approved by Council in February 2022, were complied with. No liquidity issues were experienced resulting in nil borrowing throughout 2022/23.

1.7 Treasury and Prudential Codes of Practice

1.7.1 Updates to both the Prudential Code and Treasury Management Code were published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021 and uphold a key principle that borrowing primarily for return on investment is not permissible.

1.7.2 Also re-emphasised that the risks associated with investment in '**non-financial assets** which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time. The Council has no material non-financial investments.

- 1.7.3 The requirements of both the Treasury Management and Prudential Codes of Practice published by CIPFA have been considered and reflected as appropriate in this annual review.

Financial Services
May 2023

Prudential and Treasury Indicators

1 Prudential Indicators	2021/22 Actual £'000	2022/23 Original £'000	2022/23 Actual £'000
Capital expenditure	2,251	3,681	2,496
Ratio of financing costs to net revenue stream	-6.91%	-4.69%	-23.95%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	nil
Annual change in capital financing requirement	nil	nil	nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per Annum	£0.05	£0.06	£0.06

2 Treasury Management Indicators	2021/22 Actual £'000	2022/23 Original £'000	2022/23 Actual £'000
Authorised limit for external debt:			
Borrowing	nil	7,000	nil
Other long-term liabilities	nil	nil	nil
Total	nil	7,000	nil
Operational boundary for external debt:			
Borrowing	nil	4,000	nil
Other long-term liabilities	nil	nil	nil
Total	nil	4,000	nil
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	nil
Upper limit for variable rate exposure under one year at the year end	22,131 (40.0%)	40 – 100%	19,620 (35.5%)
Upper limit for total principal sums invested for over 365 days	9,250 (16.7%)	60%	9,250 (16.7%)

3 Maturity structure of new fixed rate borrowing during 2022/23	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

Extract from Revenue & Capital Outturn Booklet presented to Cabinet - 6 June 2023. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	ORIGINAL ESTIMATE £	2022/23 REVISED ESTIMATE £	PROVISIONAL OUTTURN £
4 <u>TREASURY MANAGEMENT</u>			
Employees			
Salaries	31,950	31,850	31,868
Supplies & Services			
Treasury Advisor & Dealing Fees	11,000	11,000	17,337
	<hr/>	<hr/>	<hr/>
	42,950	42,850	49,205
	<hr/>	<hr/>	<hr/>
Less Income			
Interest on:			
Cash Flow Investments	(10,850)	(218,000) a)	(741,297) b)
Core Cash Investments	(57,000)	(410,900) a)	(676,831) b)
Long Term Investments	(172,000)	(170,000)	(172,216)
Medium Term Investments	(157,250)	(153,000)	(174,311) c)
	<hr/>	<hr/>	<hr/>
	(397,100)	(951,900)	(1,764,655)
	<hr/>	<hr/>	<hr/>
<u>Sub-total</u>	(354,150)	(909,050)	(1,715,450)
Central, Departmental & Technical Support Services			
Central Salaries & Administration	10,850	11,500	11,460
Information Technology Expenses	650	900	854
Departmental Administrative Expenses	16,800	17,350	17,081
	<hr/>	<hr/>	<hr/>
<u>TO SUMMARY</u>	(325,850)	(879,300)	(1,686,055)
	<hr/>	<hr/>	<hr/>
Full Time Equivalent Number of Staff (including Support Service Staff)	0.91	0.90	

Notes relate to changes between 2022/23 original and revised estimates reported to Audit Committee January 2023 and have been added to the outturn presentation to aid understanding.

- a) Reflects impact of recent interest rate rises and higher cash balances.
- b) Performance of Cash and Core Cash above profile.
- c) Performance of Multi-Asset Diversified Income Funds above profile.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

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

1.1 Introduction

- 1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 1.1.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 21 February 2023.

1.2 Risk Management Escalation Process

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

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

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

1.3 Strategic Risk Register

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

- 1.3.2 Management team have taken the decision to split the previous risk of Corporate Plan and Savings and Transformation Strategy (STS) following the publication of the Corporate Plan at Council on the 11th July. By itself, the Corporate Strategy is an amber risk and not red as previously categorised when combined with the STS.

- 1.3.3 The risks categorised as **RED** at the time of the April meeting is given below and **remains the case**.

- 1) Financial position/budget deficit
- 2) Economic Stability
- 3) Savings and Transformation Strategy
- 4) Local Plan
- 5) Organisational Development including recruitment and retention/skills mix
- 6) Homes for Ukraine Scheme
- 7) Implementation of the Agile software system

- 1.3.4 Since April following the elections one further risk has been escalated to a red risk being

8) **Political factors including stability of political leadership and decision making**

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

1.3.6 Following the recommendation on the Auditor's Annual Report made in January 2023 minute AU23/4 refers, a direction of travel on the risk scoring has been included on the annex.

Direction of Travel key:



Downward or positive movement



No change in movement



Upward or negative movement

1.3.7 There have been changes in scoring in respect of the following areas of the register

- **Corporate Plan - showing a downward / reduction in scoring**
- **Political factors including stability of political leadership and decision making, due to the recent elections and party breakdown Management Team feel there is a higher risk of change and have therefore increased the scoring appropriately**

No other scores have been changed.

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

1.4.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.

1.4.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in April is appended at **[Annex 2]**.

1.5 Legal Implications

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

1.5.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.6 Financial and Value for Money Considerations

1.6.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

1.6.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.7 Risk Assessment

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

1.7.2 Officers have now been provided with Risk Management Training to assist with service and operational risk assessment in order to aid the escalation process to Management Team. Further Risk Management Training is being sourced for all Members of the Council and officers will be providing details in due course.

1.8 Equality Impact Assessment

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

1.9 Policy Considerations

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

1.10 Recommendations

1.10.1 Members are asked to **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as **RED**, and the direction of travel of all risks.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	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.	01/04/2017	3	4	12	<p>The responsibility for safeguarding is with the Chief Executive, rather than an individual service and a review implemented.</p> <p>Audit Review undertaken, identifying areas of weakness to be address, progress to date with positive direction noted.</p> <p>Training delivered to all Hackney Carriage and Private Hire Drivers.</p> <p>Secure Database in place, with secure access, for recording of safeguarding concerns and referrals onto other agencies</p> <p>Community Hub telephone contact line remains available and support can be re-established for any urgent need or in the event of further lockdowns and/or tighter restrictions.</p>	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings. Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.</p>	Safeguarding Policy	Chief Executive	↻	As required
2	Financial position/budget deficit	F, R	<p>Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention.</p> <p>Failure to maximise New Homes Bonus (for as long as it exists).</p> <p>Coronavirus pandemic had significant economic implications for the Council, businesses and residents.</p> <p>Current economic climate due to escalating inflation has significant economic implications for the Council, businesses and residents</p>	01/04/2017	4	4	16	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <p>Treasury Management and Investment Strategy.</p> <p>Robustness of estimates and adequacy of reserves.</p> <p>Effective monitoring control procedures.</p> <p>Savings and Transformation Strategy (STS) reviewed and updated.</p> <p>Unqualified Audit and Value for Money Opinion contained with Annual Audit Letter.</p> <p>Medium Term Financial Strategy (MTFS) updated and shared regularly with Cabinet to keep members aware of current financial situation.</p> <p>Business Rates income monitored. Decision taken with partners for TMBC to re-join the Kent pool for 2023/24</p> <p>Local government finance settlement for 23/24 better than expected. However beyond 24/25 uncertainty remains</p> <p>The current bank rates as set by Bank of England are currently assisting the investment income derived from investments. The outturn for 2022/23 as reported to Cabinet in June showed an additional contribution to General Revenue Reserve.</p> <p>Energy prices liability with Leisure Trust being managed as a service fee - funding provided from Budget Stabilisation Reserve</p>	3	3	9	<p>Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of service reviews via MT to identify potential areas of transformation and savings.</p> <p>Review of key strategic assets to be completed, including office accommodation.</p> <p>Continue to provide regular reports to Cabinet and work to identify potential sources of saving/income generation.</p> <p>MT considering the employment of a fixed term transformation resource to assist with identification and delivery of efficiencies</p> <p>Assess the potential financial impact of the Government's Extended Producer Responsibility (ERP) scheme in relation to Waste and Recycling which is currently still being drawn up. At the present time without further information it is unclear how this will impact in the Council's finances (positively or otherwise)</p> <p>Await and assess the outcome of the Government's consultation and review of New Homes Bonus. This was anticipated Spring 2023</p> <p>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.</p> <p>Use of reserves likely over Medium Term in order to support revenue budget but it is imperative that savings are identified and delivered.</p>	Vision- to be a financially sustainable Council. Taking a business-like approach.	Director of Finance and Transformation	↻	Sep-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	Direction of Travel	Review Date
3	Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted. Coronavirus pandemic has significant economic implications for businesses and residents. Current high rates of inflation likely to have wider impact on community and businesses	01/04/2017	4	4	16	Kent-wide working to understand, plan for and react to pressures. Regular review of; MTFS reflecting economic factors Treasury Management and Investment strategies. All staff equipped to be able to work from home and deliver public services and arrangements set out in adopted working policy Delivery of Household Support funds in liaison with KCC Delivery of government schemes (e.g. related to energy) to mitigate impacts on households	3	4	12	Council continuing to work with Kent Resilience forum and County Partnership groups as needed Keep Business Impact assessments under review. Business continuity planning updated to ensure smooth running of services to public. Finalisation of government energy support schemes (now closed) Household Support Fund tranche 4 approved by Cabinet July 2023 and to be rolled out	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team		Sep-23
4	Corporate Strategy	F, R, S	The lack of an up to date Corporate Strategy could lead to a lack of strategic direction for the Council, and lead to a lack of clarity about priorities, and the ability to meet objectives and make savings.	04/01/2017	4	3	12	Following the Peer Challenge Review (PCR), a draft Corporate Strategy was produced and benefited from staff consultation in November 2022 and Cabinet and O&S consideration ahead of going out to public consultation in Jan-Feb 2023. The findings from this consultation, along with aligned KPIs and draft Action Plan went to Cabinet and O&S in Spring 2023 and the final version will go back to Cabinet and Council in July 2023 for adoption.	3	2	6	Final adoption of the Corporate Strategy 2023-2027, along with annual action plan and KPI's that will ensure overview of performance.	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. New Corporate Strategy has a vision to "be an innovative and forward thinking council that leads the people and businesses of the borough towards a vibrant, prosperous and sustainable future".	Chief Executive		Nov-23
4a	Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error. Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members MTFS and STS updated and approved by Council in Feb 2023. Funding gap estimated to be £1.7m, with tranche 1 of this (£0.5m) to be delivered by April 2024.	3	3	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Commissioning of in service reviews via MT to identify potential areas of transformation and savings. MT considering employment of fixed term transformation resource to assist in identification and delivery of efficiencies Strategic asset management review to deliver new income. Delivery of the savings targets is PARAMOUNT for the financial stability of the Council. Work underway by Cabinet/MT to identify tranche 1 savings of £0.5m	The current Corporate Strategy to be a financially sustainable Council focusing on ensuring good value for money	Chief Executive / Director of Finance and Transformation/ Management Team		Sep-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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	Direction of Travel	Review Date
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 updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee Reg 18 concluded in late 2022 Members considering options for progression at HPSSC March 2023, with an aim to have a Proposed The Council has decided to continue progressing the Local Plan under the current legislative and 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		Sep-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. New market supplement and 'golden hello' recruitment and retention salary package offer being proposed to General Purposes Committee on 3 July 2023. Focused on the recruitment and retention of RTP1 qualified planning staff.	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 reviewed by MT. R&R report to be submitted to GP Committee and Council in July 2023 re hard to recruit to posts Pay award for 2023/24 5% for all staff, from April 2023. Backdated 5% to Jan 23 for scales 1-6 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 DPHEH and Head of IT. 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		Oct-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.	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		Oct-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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8	Compliance with legislation	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/2017	3	4	12	<p>The Council has a nominated Data Protection Officer and a separate Senior Information Risk Owner (SIRO)</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. Code of Corporate Governance reported to members on an annual basis.</p> <p>Legal Services give sign off of key corporate projects</p>	2	3	6	<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. GDPR training is a requirement for all new starters and is offered through the TMBC Learning portal.</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. Regular review by Monitoring Officer and reports to full Council (most recently at Annual Council 2023).</p> <p>Additional GDPR and Cyber Awareness Training undertaken by all staff and members, completion date of October 2019.</p>	Information Governance Policy	Director of Central Services and Deputy Chief Executive		As required

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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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				<p>The Council has; Information Security Policy deployed via Policy Management System.</p> <p>Implemented network security measures including access controls.</p> <p>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.</p> <p>Implemented secure email in accordance with NCSC guidelines.</p> <p>Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary. 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.</p> <p>Continued to monitor Cybersecurity alerts via LGA Cyber Security email; through membership of NLAWARP and CISP; and attending information sharing events such as Kent Connects Information Security Group. Cloud based web and email filtering has been deployed to improve availability and resilience.</p> <p>Completed firewall ruleset review following migration to Cloud to ensure our configuration is in line with best practice guidelines.</p> <p>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. NCSC approved cyber security training has been evaluated and made available via the Council's new LMS.</p> <p>Achieved 'Substantial' rating for Cyber Security at Internal Audit Report TM19-2023 & TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p>	3	4	12	3	3	9	<p>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. Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>An in-depth phishing training package, to highlight specific risks and increase staff awareness, has been deployed to all staff. Completed by 76% of staff as at 30/6/23.</p> <p>Procured NCSC approved cyber security training for Members from Matobo. Messaging/invitation to take part to be agreed prior to deployment.</p> <p>Deployed NCSC approved cyber security training for Staff from Matobo. Mandatory training, completion being monitored and reminders to be sent as required.</p> <p>We are currently working towards Cyber Essentials Plus accreditation to independently verify the Council's cyber defences and highlight areas for improvement.</p> <p>Pilot underway for enrolling and managing devices in Intune as a replacement for SCCM and to leverage additional security features including network blocking when malware is detected, and enforcement of encryption as a potential replacement for Checkpoint.</p>	IT Strategy	Director of Finance and Transformation		Sep-23



Direction of Travel key



Downward or positive movement



No change in movement



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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	3	4	12	<p>IT Strategy has been reviewed, updated and extended to 2023 (previously 2018-2022) with linkage to MTFS and Savings and Transformation and Digital Strategy.</p> <p>Invest to save opportunities and funding identified and projects have been initiated.</p> <p>Digital Strategy - developed and approved by Members in July 2019.</p> <p>Replacement of legacy business systems and greater use of digital alternatives (cloud based) projects have been initiated.</p> <p>Disaster Recovery solution (cloud based) has been implemented.</p> <p>All staff are able to work remotely via laptops and secure 'always-on' VPN.</p> <p>iPads and required software rolled out to Councillors, MT Members, Senior Management and in-field Staff.</p> <p>Data quality policy has been introduced to ensure improvement and efficiency can be achieved.</p> <p>Introduced Microsoft Teams for virtual meetings for members and staff.</p> <p>Implemented hybrid media conferencing solutions for on-site and remote workers.</p> <p>Multi-factor authentication solution enabled for remote access to O365 to improve security and business continuity.</p> <p>Migrated Telephony to the Cloud to improve business continuity and functionality.</p> <p>Multi-media Cloud based Contact Centre management solution implemented to improve functionality, availability and business continuity.</p> <p>Migrated production environment from on-premises to Cloud to improve and sustain business continuity and service availability.</p> <p>New CMS solution and website implemented to improve digital engagement for residents and businesses.</p> <p>Implemented cross-region Cloud backups for the new Cloud production environment to improve resilience.</p> <p>Implemented 'My TMBC' mobile app facilities to enable proactive and responsive engagement with residents and businesses in parallel with the Council's new website.</p> <p>Implemented corporate/enterprise document management system.</p> <p>VPN migrated to Cloud and Multi-factor authentication implemented for remote access over VPN to improve security and business continuity.</p> <p>All staff migrated to Office 365 to improve flexibility and reliability.</p> <p>MFD equipment and associated print management software renewed in March 2023.</p> <p>Microsoft Enterprise Subscription Agreement re-procured; new 3 year contract from June 2023. Licenses migrated from E3 to E5 to provide additional functionality and improved security features.</p> <p>Implemented the use of AI bots for automation of switchboard via the multi-media Cloud Contact Centre solution, in line with the Digital Transformation agenda in March 2023.</p> <p>Implemented new DR sandbox subscription in Azure Cloud IaaS in June 2023 for testing restore from backup to provide assurance of the Council's ability to recover critical systems and data.</p> <p>Achieved 'Substantial' rating for ICT Infrastructure at Internal Audit Report TM19-2023 & TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p>	3	4	12	<p>Active engagement of Officer and Member Groups in the implementation of digital agenda and changes to the Website format and content.</p> <p>Mobile working solution for in-field workers currently being developed and undergoing field testing.</p> <p>Further development of corporate/enterprise document management system and expansion in usage across the Council is being planned.</p> <p>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 in progress. Wider use of AI bots for automation of contact centre endpoints is currently under development.</p> <p>Implementation of an immutable backup solution to improve resilience to cyber-attack is nearing completion. All VMs in the Cloud and on-premises are being successfully backed up. Further work required to improve Oracle backups.</p> <p>Replacement of Varonis GDPR solution with features available in Microsoft E5 licenses is currently in test, to simplify management and reduce costs.</p> <p>Review of wired and wireless network infrastructure, in line with planned Gibson Building accommodation changes, is in progress. Proposals and quotations requested from suppliers.</p> <p>Planning migration from Server 2012 R2 in line with EOL notification. To be completed by end of Q2 2023/24 for on-premises VMs. Azure hosted VMs have up to 3 years extended support for 2012 R2.</p> <p>Review of end user IT equipment is underway to inform future device policy.</p> <p>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.</p> <p>Digital Strategy and IT Strategy currently under revision.</p>	IT Strategy	Director of Finance and Transformation			Sep-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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11	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	updated January	3	4	12	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 . 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 ongoing. 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	↻	Sep-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	3	3	9	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



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13	Partnerships inc. shared services	F, R, S	<p>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.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	3	3	9	<p>Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate. Good communication with staff.</p> <p>Officers maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity.</p> <p>KCC 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.</p> <p>Partnership work and liaison with key voluntary sector groups will continue via the Local Strategic Partnership meetings and community development meetings in priority wards.</p>	3	3	9	<p>Strengthening of the West Kent Partnership, including joint delivery of economic initiatives through the UKSPF and REPF.</p> <p>New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place.</p> <p>Ground Maintenance Contract extended in light of good performance of contractor.</p> <p>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.</p> <p>The Council will continue to administer the grants to key voluntary sector bodies, with progress to be reported annually. 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.</p>	Savings and Transformation Strategy	Chief Executive		As required
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</p>	01/04/2017	4	3	12	<p>Cross sector working (e.g. welfare reform group) to identify issues and solution.</p> <p>Providing advice to residents on welfare and housing issues, or signposting to relevant providers.</p> <p>Working with partners to identify land and funding opportunities.</p> <p>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.</p> <p>Universal Credit rolled out Nov 18 for Tonbridge & Maidstone Job Centres.</p> <p>Signposting now to UC rather than HB for new working age claimants.</p> <p>CTR Scheme approved for 23/24 . Government council tax support of up to £25 being credited to bills for those on lower incomes</p> <p>Household Support fund tranche allocated by KCC</p> <p>Councils asked to administer further energy support schemes on behalf of government</p> <p>New housing panel in place to work alongside RPs in considering best use of available properties.</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.</p> <p>work with Kent councils collaboratively to ensure grants and support targeted to those most in need</p> <p>Finalise energy rebate schemes (all now closed)</p> <p>Deliver District responsibilities of Ukrainian resettlement scheme.</p> <p>Deliver payments in respect of latest Household support fund Tranche 4 in liaison with KCC.</p>	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health		Sep-23



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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	4	4	16	<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>Political Awareness Training for Officers has been arranged for September 2023 by the LGA,</p>	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	⬆️	As required
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	<p>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.</p> <p>Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.</p>	3	4	12	<p>Work with partner organisations via Kent Resilience Forum and the Medway Flood Partnership continuing.</p> <p>Council Officers dial into Severe Weather Advisory Group meetings.</p> <p>Regular attendance at KRF training sessions.</p> <p>Ongoing support for Tonbridge Flood Group.</p> <p>Funding allocated in Council's Capital Plan to support works to Leigh Flood storage area which will be completed by 2025.</p> <p>£20,000 from Business Rates Retention Pilot Reserve approved for Natural Flood Management Schemes in the Borough (Leybourne Lakes and Ightham Mote) with projects nearing completion.</p>	Emergency Plan Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Civil Director of Street Scene, Leisure & Technical Services	⬆️	Sep-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 exceeded 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. This is an escalating risk given the longevity of the hosting arrangements. As of 1 April 2023, TMBC have taken on wider support role for Ukrainians in the borough under HFU scheme.	01/09/2022	4	4	16	<p>Some reserve host families have been identified but larger families pose a bigger risk. Re-matches are unsustainable in the longer term. Work underway to support more families into PRS.</p>	3	4	12	<p>Additional support into Private Rented Sector required. Full time Resettlement Worker now in post and part time Housing Officer to start in August 2023.</p>		Chief Executive	⬆️	As required



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18	Waste/ Recycling Contract	F, R, S	<p>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.</p> <p>Failure to achieve financial targets for garden waste and performance payments scheme linked to changes in collection and disposals methods explained below and links to finance above.</p> <p>Coronavirus pandemic has significant economic implications for businesses and residents.</p> <p>Future sustainability of contract.</p> <p>Risk associated to the outcome of current government consultations on three waste aspects (Collection Consistency, Garden Waste and Extended Producer Responsibilities). Potential for alteration to levels and mechanisms for Council income associated to these areas including, but not restricted to, KCC Performance Payments and Garden Waste Subscriptions, this links to the Council's long term financial stability</p>	01/07/2018	3	4	12	<p>Partnership arrangement with TWBC, with allocation of key tasks.</p> <p>Internal Project Group reporting regularly to MT and Members.</p> <p>Joint Member meeting established with TW's to guide strategic approach</p> <p>External advice sought from specialists on key decisions including Legal.</p> <p>New inter authority agreement with KCC encourages improved recycling performance and shares risks and rewards.</p> <p>IT, Communications and Operations identified as crucial work streams and individual working groups established to manage and implement these work areas.</p> <p>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.</p> <p>With regard to garden waste collections, residents will have subscriptions extended to compensate.</p> <p>New GW subscriptions were reinstated on 4.04.22.</p> <p>Street cleansing was not suspended but has been impacted as other services have taken priority.</p> <p>Council recently approved supplementary payments, financial support in relation to vehicle leasing. This will enable re-rounding to progress leading to improved service.</p> <p>Consultations currently being monitored through the KRP and updates being channelled through the Kent Chief Executives meetings</p>	3	3	9	<p>Continuation of Partnership working with TW's and monitoring through established Steering Group.</p> <p>Continuation of Member working group to steer strategic approach.</p> <p>Contract monitoring and the firm use of remedies to improve performance including the contractual default procedure.</p> <p>CE's continuing to liaise with Urbaser to discuss future sustainability of the contract.</p> <p>Monitor and phase roll out to flats and any impact of other frontline collections.</p> <p>Reports on progress submitted to appropriate meetings/committees</p>	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	↻	Sep-23
19	Implementation of Agile system	F, S	<p>Service impacts from level of staff time required to develop the Agile product for use as operating system.</p> <p>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</p>	01/11/2022	4	4	16	<p>Programme of liaison meetings with Agile in place including Board and weekly catch ups</p> <p>Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues</p> <p>Weekly meetings with CM for Finance & Housing, who is the Cabinet Lead for Agile.</p> <p>Internal meetings with staff, managed by Business Change Project Manager</p> <p>Issues log in use</p> <p>Issues escalated to Agile management</p>	2	2	4	<p>Further escalation of issues to Agile CEO</p> <p>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</p>	Digital Strategy	Director of Planning, Housing and Environmental Health	↻	Sep-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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	Direction of Travel	Review Date
20	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	14/12/22	3	4	12	<p>Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress.</p> <p>Further Election Bill changes</p> <p>Parliamentary Boundaries</p> <p>Parliamentary election - date unknown, possible May 2024 or October 2024?</p>	2	4	8	<p>Broadening of staff skills and experience to build resilience.</p> <p>Discussions on core staffing for Elections and use of more IT modules to reduce workload and progress digital transformation. Increase in temp staffing resources to mitigate delayed implementation of two IT system modules. Following elections this needs to be reviewed.</p> <p>Implementation of changes to Postal Votes, Overseas electors, EU Citizenship. Core team keeping up to date with all notifications from EC and Cabinet Office and undertaking any training required.</p> <p>Changes to Parliamentary Boundaries to be completed this year including a further Polling District review. DA waiting for final recommendations to be able to implement.</p> <p>MT horizon scanning on any increased chance of snap General Election. RO and DRO's assessing risks. Risk has diminished at the moment.</p>	Statutory requirement	Chief Executive	↻	Sep-23

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

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
<p align="center">Page 83</p> <p align="center">Chief Executive and Central Services</p>	Larkfield Leisure Centre	All showers are currently open	Removed	Ongoing. Following negative sampling results, biocide levels are being decreased and the effects monitored (to be deleted)
	Homes For Ukraine Scheme	Moved to Strategic Risk Register		
	UKSPF Programme (inc. REPF)	Having had our T&M Investment Plan approved by DLUHC, implementation of projects required over the next few years (up to March 2025)	Ongoing.	Need to keep under review to ensure that delivery on track so that future years funding is not compromised (based on annual funding award)
	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.
	Tonbridge Castle Gatehouse Roof	Water ingress from roof in Great Hall. Feb 2023 rot discovered in roof beam ends. Facility closed until remedial stabilisation works undertaken in June/July 2023. Need for permanent works in autumn 2024, yet to be scoped and costed	Ongoing	Remedial works being prioritised. On completion, permanent works will be scoped and costed
	Elections	Introduction of Elections Bill changes	Ongoing.	Further Election Bill changes, including new Postal vote portal, Postal vote renewals changing to every 3 years. Overseas electors renewal every 3 years, changes to EU citizenship eligibility
	Elections	Move over of Election calls to Customer Contact	Ongoing.	Hope to move over all election calls to Customer Contact before 8July. Training being undertaken and FAQs being written and shared.
	Elections	Changes to Parliamentary boundaries	Ongoing.	Increased work load to implement changes and more complex for running future Parliamentary elections, due to sharing constituencies with other authorities. Further review of polling districts.

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

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 84 Finance and Transformation	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.
	Council Tax and NNDR Billing	Potential delay in distribution of Bills due to on going Postal Worker strike issues	Removed	Bills received by taxpayers in timely manner
	Recruitment of staff	Recent resignations will cause vacancies in several sections, and therefore could lead to service delays	Ongoing	Reports to GP approving staffing changes and recruitment has commenced to vacant posts.
	Corporate Insurance	Increases and changes to premiums for 2023/24 insured year	Ongoing	The Councils Insurers have made changes to the charges included within the premiums. Therefore changes will be required to capital and revenue project evaluations to include insurance assessment.
	Payroll	Key information being supplied to Payroll in a timely manner, causing risk of staff and members not being paid.	New	The Payroll Team pay over 250 Staff and Councillors on a monthly basis. Due to the date of payment, being the closest working day to the 15th of the month, information to be included in the pay run must be received no later than three working days into the month. In recent months some delays have occurred on the submission of data due to incomplete or incorrect information being supplied. this has jeopardised the payment to all staff requiring addition unsocial hours to be worked by the payroll team.
	Computer Server failure	Weekend failure of server for Revenues and Benefits Software.	Ongoing	Issues with Software failure being identified by both staff and software
	Security and Access to Information	Access to information with shared access with DWP	Ongoing	Review of staff access to be carried out and further additional checks to be carried out.
	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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Temporary Accommodation (TA)	TA consultancy review undertaken Dec 2021, actions implemented in 2022. Cost of living crisis and DA legislation implementation are impacting on maintaining TA levels within the agreed range.	Ongoing	TA costs remain high, as does level of need. Project underway to look at sustainable TA portfolio approach to help manage unit costs for TA. This is alongside ongoing work/training in service to support demand.
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
Staffing challenges in Planning services	Ongoing recruitment and retention difficulties in the sector and in T&M specifically. Several recruitment campaigns carried out.	Ongoing.	MT agreed that development of a Workforce Strategy will include recruitment and retention. Part 2 report to GP in July 2023 to look at immediate pressures. This will likely be followed by a new recruitment campaign and therefore this risk remains.
Local Plan	Reg 18 carried out in Autumn 2022. Changes to NPPF and proposed changes to system via LURB published December 2022. Assessing options for delivery of a Local Plan.	Ongoing	Members to make a decision on a revised Local Development Scheme in Summer 2023. This is subject to a number of challenges including ongoing delays in Govt announcements on national planning policy. The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirement of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the Planning Inspectorate by 30th June 2025. The Council has recently engaged Trowers and Hamlins Law Firm to advise and support the Planning Policy Team up until adoption stage.

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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
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. Structural assessments being undertaken.	Ongoing	Second year programme of work currently being progressed. Further survey undertaken and report to be analysed. Remembrance Garden and Maintenance bridges reassessed to check if structurally stable. Remembrance Garden bridge confirmed safe for 5-7 years, Maintenance bridge confirmed safe for 3-5 years. Structural assessment being undertaken re Haysden Country Park bridge replacement.
Bluebell Hill Car Park	Ongoing anti-social behaviour	Complete	Car park closed and site secured . Longer term review of asset to be progressed by Proerty Services.
Pay & Display machines	Continual issues with contractor, G4S in terms of cash collection.	Ongoing	Considering alternative options as very few companies in market place willing to undertake work.
TAGA dispute	Allotment holder taking legal action against TAGA.	Complete	Legal action dropped and matter resolved.
Utilities costs	Significant energy price increases at leisure centres is resulting 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 implemented and central government being lobbied. Government recently announced support package within the Budget statement.
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 investigated by Property Services and order to be placed for new system. Funded through BRREP and contribution from Leisure Trust.
Tonbridge Castle	Resident complaint regarding resurfacing material for path not being suitable for wheelchair access.	Complete	Risk assessment undertaken. Loose stone cleared and signage added.. Additional coat of bonding applied to path. DDA audit being undertaken . Formal complaints procedure completed through all 3 stages - referred to Ombudsman.
KRF Review	The KRF have undertaken a review and plan to make adjustments to how the forum operates.	Ongoing.	Risks associated with increased responsibility being undertaken by LA's . The impact of this could be very significant .
Business Continuity & Emergency Planning	The current structure of the LRF and legislation has been added to. The Kent Resilience Forum is undergoing a review with significant changes to how the Kent Resilience Team will provide support and guidance to Local Authorities. The UK Government has also recently published a new 'UK Government Resilience Framework'. Further guidance is expected but the theme is around increasing locally led resilience and planning at the LA level.	Ongoing	Need to track new guidance and review how we contribute and participate in the Kent Resilience Forum. We also need to be able to ensure that we maintain a fit-for-purpose organisation to enable suitable response.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Management Team

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT 2022/23

This report presents the Annual Governance Statement for the year ended 31 March 2023 for Members' endorsement. The Annual Governance Statement is signed by both the Leader of the Council and the Chief Executive and accompanies the Statement of Accounts 2022/23.

1.1 Introduction

- 1.1.1 It is seen as good practice for local authorities to prepare and adopt a Local Code of Corporate Governance. The current Local Code of Corporate Governance is presented elsewhere on this agenda and this has been used as a reference point.
- 1.1.2 The Annual Governance Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.1.3 The Annual Governance Statement for the year ended 31 March 2023 is attached at **[Annex 1]**. The Statement has been prepared by reference to the self-assessment questionnaire and supporting evidence accompanying the Local Code of Corporate Governance agenda item. The Statement is signed by the most senior Member and officer of the Council.

1.2 Legal Implications

- 1.2.1 The preparation of the Annual Governance Statement is a statutory requirement.

1.3 Financial and Value for Money Considerations

- 1.3.1 As set out in the papers.

1.4 Risk Assessment

- 1.4.1 The preparation of the Annual Governance Statement is a statutory requirement and, therefore, failure to prepare and approve the Statement could adversely affect the Council.

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 endorse the Annual Governance Statement for the year ended 31 March 2023.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

ANNUAL GOVERNANCE STATEMENT

Purpose of this Statement

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Scope of responsibility

Tonbridge & Malling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards covering local authority activities, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are carried out, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's Code can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2023 and up to the date of approval of this statement.

The governance framework

The Council's Local Code of Corporate Governance sets out the arrangements in place to govern the Council's activities under seven main headings.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Standards of conduct among Members and Officers are governed through the Council's Members' Code of Conduct and Officer Code of Conduct. Effective communication between Members and Officers is ensured through the Protocol on Member/Officer Relations documented within the Constitution. Arrangements are in place ensuring both Members and Officers declare any interests that may impact on the Council's decision making process. Such interests are recorded on a register which is maintained and monitored by the Monitoring Officer and the register of Members' Interests published on the Council's website.

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Joint Standards Committee. The Committee are also responsible for ensuring Members receive suitable induction and ongoing training and support in respect of ethical standards.

All staff are required to read and understand the Officer Code of Conduct available through the Council's intranet and are bound by it as detailed in employee contracts. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance and the monitoring and management of performance is the responsibility of line managers. In addition the Council's statutory Officers are subject to Continuing Professional Development through their respective Professional Organisations.

The Council's duty to ensure that all activities undertaken are in accordance with the law is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules and supported by strategies/policies relevant to Council activities that are made available to staff and the public via the Council's intranet and internet sites respectively. Where it is appropriate strategies/policies are allocated to a lead Officer who is responsible for their periodic review and updating.

Ensuring openness and comprehensive stakeholder engagement

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption where not delegated to the Monitoring Officer. Notices of Key Decisions are published in advance via the Council's website. All Member meetings held by the Council are open to the public and live streamed on You Tube, unless the items being discussed are considered to be confidential (Executive meetings) or otherwise exempt under the Local Government Act 1972 (all meetings); these will include staffing and legal matters and those of a contractual nature.

The Council's Constitution details the roles and responsibilities that are delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for Committee, Cabinet or Council. The Constitution includes the Council's Financial and Contracts Procedure Rules setting out the Council's standing orders and financial regulations. The specific roles and responsibilities of Officers are set out through the scheme of delegation including the specific responsibilities of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer ensuring effective arrangements are in place for the discharge of these functions.

The Overview and Scrutiny Committee is responsible for reviewing and scrutinising the decisions made by and performance of the Cabinet and/or Committees and Council Officers. Decisions made by Cabinet or a Cabinet Member can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken. In addition to the Overview and Scrutiny Committee, the Council has also set up three Scrutiny Select Committees which have the power to investigate any matters they consider relevant to their work area, and to make recommendations to the Council, the executive or any committee of the Council as they see fit.

The Council has established arrangements to communicate and consult with stakeholders on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy. In addition, the Council uses its complaints procedure to understand where services can be improved.

Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council's current Corporate Strategy sets out Our Vision: *To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough guided by our values and priorities: Achieving efficiency; Embracing effective partnership working and funding; Valuing our environment and encouraging sustainable growth; and Innovation.* A further addendum was added to the Corporate Strategy to provide a framework until the end of the 2022/23 financial and municipal year.

The Council undertook a consultation on a new Corporate Strategy for 2023 to 2025 in February 2023 with the intention of a final version being approved by Full Council by Summer 2023.

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Alongside the MTFS sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead.

Value for money considerations are set out in all Member reports where relevant. The social impact of decisions is considered throughout the decision making process, including the carrying out of an Equalities Impact Assessment. Where relevant, policies are subject to a Strategic Environmental Impact Assessment prior to adoption.

Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision making mechanisms are set out in detail in the Council's Constitution. Whether a decision is at Council, Cabinet or Committee level it is informed by a report encompassing advice from relevant services across the Council. Where relevant, alternative options are provided within Member reports, with an assessment of the advantages and disadvantages of those options.

The Corporate Strategy (and addendum) provide a reference point for the actions we take to maintain and improve the services which are most important to the local community whilst taking into account a much reduced level of funding. The delivery of the Corporate Strategy and addendum is supported by operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements.

Performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council works towards improving value for money through exploration of innovative ways of working including IT related solutions; potential for joint working and shared services; robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities and the work of internal and external audit.

The Council has a training programme for Members and holds regular training sessions (both on a programmed and ad hoc basis) on a variety of topics including induction training for all new Members and Committee specific training, e.g. Audit Committee, Overview and Scrutiny Committee.

The Council has an extensive training programme for officers including mandatory and voluntary training. Staff have access to appropriate induction training, and ongoing training (both on a programmed and ad-hoc basis) relevant to their roles. The annual appraisal process reviews staff performance and also identifies training needs.

Managing risks and performance through robust internal control and strong public financial management

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* is fulfilled by the Council's Audit Committee. The Council's Constitution sets out the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment. To do so, the Audit Committee has adopted a Risk Management Strategy that sets out the roles of Members and Officers in the identification and minimisation of risk.

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.

Specific issues that required continuing corporate ownership, action and monitoring in 2022/23 and identified as high risk areas on the Strategic Risk Register included the waste services contract, the Local Plan, council finances (as a result of the continued impact of the inflationary and cost of living crisis), organisation development through recruitment and retention skill mix; and new legislation being implemented for the May 2023 elections.

The Covid-19 pandemic and subsequent inflationary pressures have had a profound impact across service areas, businesses and the wider community and continue to do so. We will not know the full extent of the impact for some time. In looking forward it is assumed that the reductions in income and

increased costs seen as a result of the pandemic in large part will return to pre Covid-19 levels in the short to medium term. The extent and speed of the recovery will need to be closely monitored and to take corrective action if this is proved not to be the case.

The Council's standard report template requires Members and Officers to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.

The Council has an effective Internal Audit function. The Internal Audit function is provided by Kent County Council under delegation and operates in line with proper practices which is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud, bribery and corruption arrangements including whistleblowing recommending its adoption to the General Purposes Committee. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud, Bribery & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and the Financial Management Code. The Council's financial information and reporting arrangements are sound and the external auditor following the 2021/22 audit concluded the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. No significant weaknesses in arrangements identified, but improvement recommendations made.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code.

All reports (save those which are exempt) for both historic and prospective meetings of the Council and its Committees and Boards are made available to the public through the Council's website. Where possible, reports are written in a public-facing and non-technical manner.

The annual Statement of Accounts reports the Council's financial performance and is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and is subject to external audit. Included within the Accounts is an opinion given by the Council's external auditors on value for money through economic, efficient and effective use of resources.

The Review of Effectiveness of the System of Internal Audit for the year 2022/23 concluded that a good system of internal audit is in place within the Council.

Review of effectiveness

Tonbridge & Malling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Audit Executive's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates.

The effectiveness of the Council's governance arrangements has been evaluated through a self-assessment against the principles of the CIPFA/SOLACE document, *Delivering Good Governance in Local Government Framework 2016*.

It should be noted that no significant governance issues were identified in the Annual Governance Review and no other areas were identified for further enhancement. A change was made in year to the legal implications section of Member reports to make it clear where the commentary had been vetted by the Legal team. For completeness no audit reports received a 'no assurance' opinion.

In addition, the findings, conclusions and recommendations from the recent Peer Challenge Review undertaken in 2021/22 in relation to the Corporate Strategy, monitoring achievement of strategic objectives and priorities, KPIs and governance arrangements have either been implemented, or were in the process of being implemented, during the financial year.

Signed

Signed

Julie Beilby
Chief Executive

Matt Boughton
Leader of the Council

Dated 31 May 2023

Dated 31 May 2023

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2022/23 AND PROGRESS UPDATE ON THE AUDIT OF THE ACCOUNTS

This report presents an unaudited set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom.

1.1 Introduction

1.1.1 An audited set of Accounts for 2022/23 must be approved by the Council or a Committee of the Council by no later than 30 September 2023. Under the Council's Constitution responsibility for the approval of the Statement of Accounts is delegated to this Committee. The Accounts include the adjustments in light of the outturn position set out in the Revenue and Capital Outturn 2022/23 report to Cabinet on 6 June 2023.

1.1.2 This report presents an unaudited set of Accounts for 2022/23 **[Annex 1]** for information. The Engagement Lead and or their representative will be at the meeting to give a verbal progress update on the audit of the Accounts.

1.2 Statement of Accounts

1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. There have been no material changes to the presentation of the Accounts for 2022/23.

1.2.2 There will be numerous issues that will impact on the finances of local authorities as a result of the Covid-19 pandemic, the current global economic conditions and cost of living crisis. Specific areas within the financial statements include:

- The valuation for the Gibson Buildings is reported as subject to Material Valuation Uncertainty under RICS Global Standards. In concluding this opinion it was deemed necessary to take into consideration the potential for redevelopment should the Council no longer wish to occupy all or part of

the premises. As such, there would be wider range of purchaser perceptions which would likely attract bidders in the market at above current valuation levels.

- The valuations for Angel East and West Car Parks include a government subsidy for the loss of income in 2020/21 due to the Covid-19 pandemic. Consumer behaviour has evolved in recent years and the post-pandemic requirement for car parking needs is yet to settle down. This will provide a level of uncertainty surrounding the appetite for car parks until the standard use is known.
- Short Term Debtors, collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the current global economic conditions and 'cost of living crisis' could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review.

1.2.3 An unaudited set of Accounts for 2022/23 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
- 2) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2023. It shows the value of the Council's assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to council tax and business rates.

1.2.4 At **[Annex 2]** is a more detailed overview of the Statement of Accounts and at **[Annex 3]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.

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

1.2.6 The Statement of Accounts is subject to external audit and our external auditor commenced the audit of the Accounts at the beginning of July and a verbal progress update is to be given at the meeting.

1.3 Accounts and Audit Regulations

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer to certify an unaudited set of accounts for issue, that present a "true and fair view" of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September 2023 and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.4 Statement of Auditing Standards

1.4.1 Our External Auditor is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's Constitution it is the Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 25 September 2023.

1.5 Annual Governance Statement

1.5.1 The Annual Governance Statement can be found elsewhere on this agenda. The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

1.5.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior Member and officer of the Council.

1.6 Legal Implications

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

1.7 Financial and Value for Money Considerations

1.7.1 The fee for the audit of the 2022/23 Accounts is £61,099 compared to £59,873 for the 2021/22 audit, an increase of £1,226 or 2.0%.

1.8 Risk Assessment

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

1.9 Equality Impact Assessment

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

1.10 Recommendations

1.10.1 Members are **RECOMMENDED** to:

- 1) Note and endorse the enclosed unaudited set of Accounts for 2022/23.
- 2) Note the Statement provided by the Director of Finance and Transformation **[Annex 3]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 3) Note the progress update on the audit of the Accounts for 2022/23.

Background papers:

contact: Paul Worden

Investment information provided by King & Shaxson
 Pension information provided by Barnett Waddingham
 Valuation/Impairment information provided by the
 Hartnell Taylor Cook LLP.

Sharon Shelton
 Director of Finance and Transformation

- Due to its size the Statement of Accounts Booklet (Annex 1) will be published as a supplement

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Overview of Statement of Accounts 2022/23

The Statement of Accounts 2022/23 consists of, amongst other things, the following financial statements and associated notes; the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Narrative Report (Pages 1 to 14)

The report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2022/23; a review of the year; and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 15)

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer.

3) Comprehensive Income and Expenditure Statement (Page 16)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Statement is divided into five distinct sections.

The first section provides segmental accounting information on the costs of the Council's continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the Council as a whole and not to any individual service, e.g. parish council precepts.

The third section comprises items of income and expenditure arising from financing and investment activities, e.g. investment income.

The fourth section shows the income from local taxation, general government grants and all capital grants and contributions in the period, to give the net deficit or surplus on provision of services for the year.

The final section shows other items that have contributed to the movement in the net worth of the Council, e.g. increase / decrease in the value of its assets, to give a total comprehensive income and expenditure for the year.

The total comprehensive income for the year is £52.2m compared to £3.8m in 2021/22. The movement of £48.4m is largely due to:

- Actuarial gain of £51.1m in respect of the Pension Fund. This compares to gain of £5.1m in 2021/22.
- Net gain of £4.4m on revaluation of non-current assets. This compares to net loss of £0.1m in 2021/22.

4) Movement in Reserves Statement (Page 17)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus / (deficit) on provision of services shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting. The net increase / (decrease) before transfers to or from earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

5) Balance Sheet (Page 18)

This sets out the financial position of the Council as at 31 March 2023. The Balance Sheet is fundamental to the understanding of the Council's year-end financial position. It shows the Council's assets and liabilities, and its balances and reserves.

As at 31 March 2023 the total value of the Council's non-current assets was £92.9m (£89.5m at 31 March 2022). Movements in non-current assets reflect the Council's capital programme and revaluation, depreciation, impairment and disposal of assets.

In accordance with the rolling programme leisure premises were the subject of revaluation. In addition to leisure premises, council offices and car parks where material were also the subject of revaluation. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £4,369,000, of which £4,360,000 is recognised in the revaluation reserve and £9,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement.

The downward movement in creditors is largely due to early payment by Central Government of grant in respect of Energy Support Measures being released during 2022/23 and the changes to the Collection Fund surplus for NNDR.

The Pensions Liability as at 31 March 2023 was £9.3m and as at 31 March 2022 £58.3m. The change in the pension fund deficit over the year is

mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year.

The Council's Reserves stand at £28.1m at 31 March 2023 comprising:

Revenue Reserve for Capital Schemes	£7.9m
Building Repairs Reserve	£1.3m
Property Investment Fund Reserve	£3.3m
Other Specific Earmarked Reserves	£7.0m
General Revenue Reserve	£8.6m

6) Cash Flow Statement (Page 19)

This summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes. The net cash outflow of £2.4m can be attributed to a number of factors including the repayment of NNDR grants back to Central Government and the payment of the Energy Support Measures funded by Central Government of grant monies received at the end on the 2021/22 financial year.

7) Notes to the Accounts (Pages 20 to 63)

These are the notes to the four core financial statements detailed above.

8) Collection Fund and Associated Notes (Pages 64 to 67)

This reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions in relation to council tax and business rates and illustrates how the demands on the Fund from Kent County Council, Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of council tax and Central Government, Kent County Council, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of business rates have been satisfied. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

9) Annual Governance Statement (Pages 68 to 71)

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governance is about how local government bodies ensure they are doing the right things, in the right way,

for the right people in a timely, inclusive, open, honest and accountable manner.

10) Independent Auditor's Report (Page 72)

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023, and review the Annual Governance Statement.

**DECLARATION IN SUPPORT OF ASSERTIONS MADE IN THE
STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

This statement is given in respect of the Statement of Accounts 2022/23.

I acknowledge my responsibility for preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and that the Accounts present a “true and fair view” of the financial position of the Council and of its income and expenditure for the year ended 31 March 2023.

In doing so, the following have been done:

- A detailed closedown timetable was prepared and approved by the Corporate Management Team, and communicated to all Services.
- Detailed Year-End Service Guidance Notes were prepared and issued to all Services.
- Recommendations made by our external auditors following the audit of the 2021/22 Statement of Accounts have been reviewed and actioned where appropriate.
- Reconciliations have been carried out between the Council’s financial ledger (Integra) and the Revenues & Benefits system (NEC).
- The trial balance has been balanced.
- The total for each accountant as per the trial balance has been agreed to the net total as per the ledger control sheets.
- The Total Service Expenditure as per the General Fund has been agreed to the movement in the General Fund on the Integra General Ledger.
- The non-current assets entries in the Balance Sheet are in line with valuations and other known transactions.
- The entries within the Collection Fund have been agreed with other financial statements in the Statement of Accounts and the Council Tax set by the Council on 22 February 2022 and other major precepting authorities.
- The total expenditure chargeable to the general fund and reserve balances shown in the Expenditure and Funding Analysis agrees to the net increase/decrease in general fund and reserve balances shown in the Movement in Reserves Statement.

- The total comprehensive income and expenditure for the year as shown in the Comprehensive Income and Expenditure Statement has been agreed to the Total Reserves movement reflected in the Balance Sheet.
- The movement in cash and cash equivalents as per the Cash Flow Statement has been agreed with the movement in the cash and cash equivalents balances as per the Balance Sheet.
- In preparing these Accounts due regard has been taken of the CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements.

Signed:

Dated: 31 May 2023

S.J. Shelton, FCPFA
Director of Finance and Transformation

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2022/23.

1.1 Introduction

- 1.1.1 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that periodic self-assessments are conducted to evaluate conformance with the PSIAS Code of Ethics and Standards. To ensure compliance with this element of PSIAS, an annual internal review of the effectiveness of the Internal Audit function is undertaken. The Chief Audit Executive has conducted the review of effectiveness for the year 2022/23 and a summary of the findings of this review is attached at **[Annex 1]**.
- 1.1.2 It is important to note that the review is about effectiveness, not process. As well as conformance with professional standards, the focus of the review should be on the delivery of internal audit to the standard required by the Council in order for the Council to be able to place reliance on its work.
- 1.1.3 The findings of the review of effectiveness are reported to Management Team, who, following consideration of the outcome of the review, then agree an opinion as to whether the review demonstrates that the Internal Audit function in place for the year 2022/23 was effective, using the opinion definitions set out below.

Opinion	Definition
Good	The arrangements put in place by the Council provide substantial assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Satisfactory	The arrangements put in place by the Council provide reasonable assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Adequate	The arrangements put in place by the Council provide limited assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Unsatisfactory	The arrangements put in place by the Council provide no assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.

1.1.4 It was concluded by Management Team that the opinion on the effectiveness of the Internal Audit function in place for the year 2022/23 was **Good**.

1.2 Legal Implications

1.2.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.2.2 The Regulations also require the Council to conduct, at least once a year, a review of the effectiveness of its Internal Audit function. The review conducted gives due consideration to proper Practice.

1.3 Financial and Value for Money Considerations

1.3.1 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.

1.4 Risk Assessment

- 1.4.1 The review of effectiveness provides assurance of the proper operation of the Internal Audit function and the findings of the review should, therefore, be considered as part of the Council's overall governance arrangements.

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 the findings of the review and endorse the opinion that the effectiveness of the Internal Audit function for the year 2022/23 was Good.

Background papers:

Nil

Richard Benjamin
Chief Audit Executive

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Summary of Measures to demonstrate the effectiveness of Internal Audit – 2022-23 Review

Measure	Finding
<p>Review of the Internal Audit team against proper practice, as defined as the <i>Public Sector Internal Audit Standards and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards</i>.</p>	<p>The Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards were introduced as proper Practice from 1 April 2013 (amended April 2017). The PSIAS require a periodic Internal Assessment and a five-yearly independent External Assessment</p> <p>An External Quality Assessment was commissioned in February 2021 and was undertaken by 'Business Risk Solutions'. The outcome of the assessment was: 'Tonbridge and Malling Borough Council Internal Audit service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'</p> <p>All recommendations for improvement and enhancements were implemented and reported to Audit Committee.</p> <p>The annual Internal Self-Assessment against the PSIAS was conducted in December 2022 as per the Internal Audit Quality and Improvement Programme (QAIP). This raised 9 areas for enhancement. 7 have been implemented, 1 is not yet due for completion and there is 1 action outstanding.</p> <p>The outstanding action relates to the Chief Audit Executive holding private meetings with the Chair of the Audit Committee where required. In light of the changes to the Committee Chair, this has not been actioned to date.</p>
<p>The internal audit planning process, demonstrating that audit planning is risk-based and reflects the business objectives of the Council.</p>	<p>The annual audit planning exercise for the 2022/23 financial year used a risk-based methodology to ensure the most effective use of Internal Audit resource. Review of the 2022/23 Plan and subsequent changes during the year established that there was a good level of alignment to Council strategies and</p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2022-23 Review

Measure	Finding
	<p>key risks.</p> <p>A similar approach has been taken to the planning for 2023/24, although the plan is a rolling plan that covers the initial 6 months with further assessment of key risk areas during August/September to ascertain reviews for inclusion in the second 6 months of 2023/24.</p>
Customer Satisfaction survey results.	<p>Customer satisfaction surveys are sent to client managers on publication of a final internal audit report. The results of surveys returned in 2022/23 to date gave an overall satisfaction measure of 99% (based on 7 surveys received at time of reporting). All Surveys received had additional comments from the business lead. Where comments are received, they are reviewed to identify any key themes and actions to address.</p>
Key performance indicator outturns.	<p>A set of 6 performance measures was used to assess the effectiveness of the Internal Audit team in achieving a quality Internal Audit Service for 2022-23. As reported in the Annual Internal Audit and Counter Fraud Report 2022-23, during the year the team met four of the 6 Internal audit performance measures.</p> <p><i>Client satisfaction surveys (Audit) - % positive responses: (Target 90%, Performance 99%)</i></p> <p><i>Audit Plan completion - % completion: (Target 90%, Performance 92%)</i> <i>One audit was cancelled part way through due to the demands of preparation of the election. A further two audits were requested by the business to have later starts and therefore not are not 100% complete when issuing report.</i></p> <p><i>Days training received – no of days per staff member: (Target 5 days, Performance 6.8 days) This is based on staff involved in the completion of the</i></p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2022-23 Review

Measure	Finding
	<p><i>TMBC audit plan, but excludes all auditors enrolled at Birmingham City University. Due to their study commitments, they have in excess of 0.5 days a week and therefore would skew the results of this KPI.</i></p> <p><i>Maintenance of Continual Professional Development for relevant staff:</i> <i>(Target 100%, Performance 100%) Based on staff working on the TMBC plan who hold professional accounting/audit qualifications that carry CPD requirements.</i></p> <p>For the remaining two KPIs:</p> <p><i>Implementation of Improvement actions from quality assessments that are due</i> <i>(Target 90%, Performance 88%):</i></p> <p>There are 2 outstanding actions, 1 of which is overdue, 1 is not yet due. This relates to private meetings with the Chair of the Audit Committee if required. This has not been actioned due to changes in the Chair of the Committee following elections.</p> <p><i>Time from end of fieldwork to Draft Report – % within 10 working days</i> <i>(Target 85%, Performance 67%):</i></p> <p>This stands at 67% for the year. Performance has remained the same as last year. Four audits missed the 10-day target, 3 by 4 days or less. Only one audit missed the target by a significant margin and this was due to the auditor ending their employment during the completion of the audit engagement. Turnover of staff has impacted the performance on this metric for 2022/23. Turnover of staff has been addressed by a range of effective recruitment and retention measures implemented by the Internal Audit service.</p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2022-23 Review

Measure	Finding
The extent to which reliance can be placed on the work of internal audit by the external auditor.	Communication with Internal Audit occurred in planning for the 2021/22 audit, and we provide external audit with summaries of key internal audit reports, however, nationally External Audit no longer place reliance on the work of Internal Audit

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Chief Audit Executive

Part 1- Public

Matters for Information

1 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL, TOGETHER WITH THE ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT FOR THE YEAR 2022/23

This report informs Members of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control, together with the Internal Audit work completed during 2022/23 to support that opinion. In addition, the report also informs Members on the work of the Counter Fraud function in 2022/23.

1.1 Introduction

1.1.1 The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.1.2 The PSIAS requires 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. The PSIAS also requires the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

1.2 Opinion of the Chief Audit Executive on the Internal Control Environment

Purpose of the framework of governance, risk management and control

1.2.1 The framework of governance, risk management and control is based on an on-going process to identify, evaluate and manage the risks to the Council in the achievement of its objectives. It is a management responsibility to establish,

maintain and ensure compliance with the framework of governance, risk management and control.

1.2.2 The framework of governance, risk management and control should:

- Set out clear responsibility for policy and decision-making.
- Establish the Council's priorities and objectives.
- Identify, evaluate and manage the risks which may impact on the Council's ability to meet its objectives.
- Ensure compliance with law, regulations, policies and procedures.
- Ensure the economic, efficient and effective use of resources.

1.2.3 Ensure the accuracy and reliability of financial statements and other published information.

Basis of the opinion on the framework for governance, risk management and control

1.2.4 The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:

- Assurance Opinions from audit assignments complete.
- The level of implementation by management of agreed actions to improve internal control and the management of risk. Including consideration of the timeliness of implementation.
- Referrals and outcomes of Counter Fraud activity.
- Wider knowledge of key risks and operations by the Chief Audit Executive.
- Knowledge of other work completed by other inspectorates or assurance providers.

1.2.5 The opinion on the framework for governance, risk management and control is principally based upon the evaluation of the findings, conclusions and assurances from the work of the Internal Audit function during 2022/23, full details of which are provided in this report. While all audit results are considered, including the outcomes of any consultancy work, any other reliable sources of assurance are identified and, where appropriate, considered when arriving at an overall opinion.

1.2.6 The Opinion of the Chief Audit Executive on framework for governance, risk management and control is:

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 **substantially** contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives during 2022/23.

Whilst it has been identified that the authority has largely established substantial and effective internal controls within the areas subject to Internal Audit review in 2022/23, there are areas where compliance with existing controls should be enhanced or strengthened, or where additional controls should be introduced. Where such findings have been made by Internal Audit, recommendations have been made to management to improve the controls within the systems and processes they operate. Progress against these recommendations during 2022/23 has been good.

The framework of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

1.3 Internal Audit and Counter Fraud Establishment

- 1.3.1 The Internal Audit and Counter Fraud service is delivered by Kent County Council via an Inter Authority Agreement. An Audit Manager and a Counter Fraud Manager lead the delivery of the TMBC Internal Audit and Counter Fraud Plan. During 2022/23, over twelve audit and fraud staff have supported its delivery.
- 1.3.2 There have been a number of new appointments during the year, including the recruitment of a specialist IT auditor. This has assisted with the delivery of the Cyber Security and IT Infrastructure audits and will resource technical IT audits in future.
- 1.3.3 The internal auditor or fraud officer assigned to each audit/fraud review is selected by the Internal Audit Manager based on their knowledge, skills, experience, discipline and any declared conflicts of interest to ensure that the review is conducted effectively. If a review calls for specialist skills/experience beyond that within the team, arrangements would be put in place to secure specialist skills from KCC as part of the partnership arrangement or from an external contractor if that is not possible.

1.4 Annual Audit Plan

- 1.4.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2022/23 was approved by this Committee on 17th April 2023. The Plan set out the proposed work of the Internal Audit team for the year which can be summarised into two key work types:
- 1.4.2 Assurance Work – this relates to audit work which informs the opinion of the control environment given to the Committee by the Chief Audit Executive. This work focuses on planned audit review of key financial systems, other financial systems, operational audits and control environment reviews and also reviews the follow up of audit recommendations made.
- 1.4.3 Consultancy Work – this relates to Internal Audit team members involvement in corporate and other known projects, requests received by the team for consultancy or responsive work, advice or information and involvement in fraud investigation work. While not directly providing assurance, the results of this work are also considered when arriving at the opinion of the control environment given to the Committee by the Chief Audit Executive.
- 1.4.4 Of the original 22 audits (18 Assurance (A) and 4 Consultancy (C)) on the 2022/23 plan:
- Three audits were cancelled or deferred from the Plan during the year – Planning Applications (A), Housing Allocation Scheme (C) and Voter Identification (A).
 - 2 additional audits were added to the plan – Voter Identification (A) and Agile Project Board (C).
 - 1 Audit is ongoing and has continued into 2023/24,
 - 3 audits are currently at Draft Report. Risk Management (A) and Fire Safety – Gibson building(A) and Tonbridge Castle project.
 - Of the revised total of 21 audits, at the time of writing the team have completed 17 audits (both assurance and consultancy), with a further 3 audits at draft reporting stage and 1 Assurance Mapping exercise still in progress.

1.5 Assurance Work

- 1.5.1 A summary of the completed audit work for 2022/23, including a summary of findings, is shown in **[Annex 1]**.
- 1.5.2 Opinions provided for Assurance audits during were generally positive with 8 audits being given substantial and 6 with adequate assurance. There was one audit relating to Parking Income that received a limited assurance opinion.
- 1.5.3 Where an audit review identifies opportunities to introduce additional controls or improve compliance with existing controls, recommendations are made and agreed with client management prior to finalising the report. 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 the responses received.
- 1.5.4 Sixty-Three recommendations were due for implementation in 2022/23. 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 31st March 2022. Progress is as follows:
- 44 (70%) have been closed as implemented or superseded.
 - 5 remain open and are to be part of full follow-up or re-audits in 2022/23 and will be reported separately.
 - 2 are still awaiting evidence of implementation from management.
 - 12 are partially implemented, in progress and/or have agreed, revised implementation dates.
 - 22% of recommendations due for implementation in the year, and not subject to re-audits, remain open. This is up slightly on the proportion reported last year of 18%, although there are a number of open recommendations that have been impacted by the delay in implementing the new Agile IT system.
 - Although the number of open outstanding recommendations has increased, it should be noted that only 1 of the 14 open recommendations having been open for longer than 1 year. This is a significant improvement on previous years.
- 1.5.5 Audit recommendations made from assurance work undertaken in 2022/23 demonstrate that Internal Audit continues to make a significant number of recommendations for change within the organisation as a contribution to improving the internal control arrangements of the Council. It is also important to recognise that the number of recommendations made does not include all system and procedural enhancements implemented during the course of audits as a

direct result of the audit process or recommendations coming from consultancy work undertaken by the team.

- 1.5.6 The assurance work of the team conducted during the year has contributed to the internal control environment of the Council being maintained and improved,

1.6 Consultancy Work

- 1.6.1 The Internal Audit team's consultancy work in 2022/23 included provision of ad hoc advice and information as and when requested by Council officers. Consultancy / advisory work is considered to be a fundamental service provided by the team, enabling officers to consult with Internal Audit and address control concerns and issues as they arise, helping to maintain the internal control arrangements of the Council. The consultancy work completed in 2022/23 can be seen in **[Annex 1]**.

1.7 Training

- 1.7.1 Training of the Internal Audit Manager and Auditors completing the TMBC Audit Plan was undertaken during the year. This averaged above the planned 5 days allocated for Continuing Professional Development (CPD) as per the service KPI **[Annex 2]**. The Internal Audit Manager completed the required 40 hours CPD to maintain their professional qualification. During the year, 6 Internal Audit staff have started training towards professional qualifications.

1.8 Quality Assurance and Improvement Programme and Conformance with the Public Sector Internal Audit Standards

- 1.8.1 The Quality Assurance and Improvement Programme summarises all of the measures in place to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics.
- 1.8.2 An internal Self-Assessment was undertaken and presented to Audit Committee in January 2023. Internal Audit were assessed as 'Generally Conforms' with the Public Sector Audit Standards. The Committee also approved an Improvement Plan to address the enhancements identified in the assessment. Delivery of these actions is on track and reported at **[Annex 3]**. There are 2 outstanding actions to complete.
- 1.8.3 The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement and learning for the team. For 2022/23, the team has achieved or exceeded the target set for four of the six Internal Audit indicators measured. Including exceeding the delivery target. Actual performance of the team against these measures, as well as the counter fraud and business measures are provided at **[Annex 2]**. Performance has remained consistent with last year with improvements noted for the business in

relation to percentage of audit recommendations implemented on time, although improved these measures are still below target.

1.9 Partnership Working

- 1.9.1 Since October 2021, the Internal Audit and Counter Fraud service has been delivered through an Inter Authority Agreement with Kent County Council. It must be noted, however, that according to the PSIAS it is the responsibility of Tonbridge and Malling Council to maintain an effective Internal Audit activity.
- 1.9.2 The organisational independence of the Internal Audit activity has been achieved during the year through direct interaction with the Audit Committee and the Audit Committee Chair.

2 ANNUAL COUNTER FRAUD REPORT 2020/21

2.1 Prevention and Detection of Fraud, Bribery and Corruption

- 2.1.1 This section of the report provides details of the Council's activity against the Fraud Plan in preventing and detecting fraud and corruption in 2022/23.

2.2 National Fraud Initiative

- 2.2.1 The Council proactively takes part in the National Fraud Initiative (NFI), which comprises of a nationwide data matching exercise comparing Council data to both other Council and third-party datasets.
- 2.2.2 In 2022/23, the Counter Fraud Team have delivered activity on the biennial data matches received within the 2021/22 exercise. The delay was due to the need to divert resources to support the due diligence checks on the Covid Grant Payments made through 2020 to 2022.
- 2.2.3 A summary of the matches for 2021/22 and the outcome of the exercise are shown in **[Annex 4]**. Although not all matches were cleared (Council Tax to HMRC data), high risk matches have been. A sample of lower risk matches was completed and it was determined not to be value for money to check all the matches.
- 2.2.4 The data for the 2023/24 exercise was submitted in November 2022 with the matches released in January and March 2023. A summary of the matches for 2022/23 and the outcomes so far are shown in **[Annex 4]**. For 2021/22 matches a total of £151,815 in additional liability was identified due to changes in discounts and exemptions being either removed or adjusted from Council Tax accounts.
- 2.2.5 It is noted that the number of matches has reduced compared to the 2021/22 exercise.
- 2.2.6 Annual data matching is also undertaken through NFI between the Electoral Register and Council Tax Single Person Discount data; the most recent results

were received in December 2022. A summary of the matches for 23/24 exercise is shown in **[Annex 4]**. To date 50% of the Council Tax to electoral register matches have been cleared with £18,063 in additional liability having been identified due to changes in discounts or exemptions. Work has started on the biennial matches with some being cleared by the relevant team, an update will be provided in the next progress report.

2.3 Kent Intelligence Network

2.3.1 The Kent Intelligence Network (KIN), a partnership led by Kent County Council, has been in place since September 2016. The aim of this partnership is to prevent and detect fraud, reduce risk profiles and to support development of fraud professionals locally. This partnership delivers further tools for data matching and debtor tracing in addition to external support in identifying unrated business and residential properties. The results for 2022/23 are:

- Single person discount to financial matches £12,414 increased council tax liability.
- Unrated Businesses £350,639 increased liability.
- Small Business Rate Relief £51,797 increased liability annually.
- Untaxed Residential properties £12,523 increased liability.
- Retriever Debtor Tracing £211,621 of Council Tax liability not passed for write off.

2.4 Risks Assessments and Awareness

2.4.1 The team have delivered awareness training to staff within Revenues and Benefits and Human Resources. The aim of the sessions was to provide greater awareness about fraud and how it can be committed against the Council by internal and external fraud threats. The sessions provided clarity around the fraud referral process and enabled staff to meet the Counter Fraud Team responsible for the TMBC referral management and investigation process.

2.4.2 Additionally, the Counter Fraud Team have provided support to management in reviewing their fraud management plan on the Home Upgrade Grant phase 2 funding.

2.4.3 As part of the team's horizon scanning and threat analysis, TMBC HR team were informed of the increased risk of employees holding second jobs and failing to declare this to the employer. The new ways of working from home creates opportunities for staff to hold other forms of employment without it being detected. A reminder has been sent to all TMBC staff about the requirements for declaring second employment.

2.4.4 Furthermore, the Counter Fraud Team will be delivering Document Verification Training to staff responsible for the review of identity documents for new starters.

2.5 Investigating Fraud, Bribery and Corruption

2.5.1 A total of 112 referrals have been received by the Counter Fraud Team in 2022/23. The most reported fraud type is in regard to Council Tax reduction, where housing benefit or universal credit is in payment. The second most common type of referral received is in relation to single person discount.

2.5.2 From the cases closed in 2022/23, there has been a total of £84,843 of detected fraud and error. Included in the closed cases is a Council Tax Reduction with Benefit in payment, investigated by the DWP resulting in a recoverable overpayment of £26,104.

2.5.3 Joint working with the Department for Work and Pensions (DWP) has been a challenge during 2022/23, this is due to a significant amount of DWP investigation resource having been diverted to other areas of their business. In the latter part of 2022/23, there has been more investigation resource available at DWP. This has helped progress the referrals being overloaded to the DWP and to support joint working cases where there is a Council Tax Reduction (CTR) interest.

3 LEGAL IMPLICATIONS

3.1.1 The Accounts and Audit Regulations place a statutory requirement on local authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

3.1.2 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.

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

4 FINANCIAL AND VALUE FOR MONEY CONSIDERATIONS

4.1.1 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.

4.1.2 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.

5 RISK ASSESSMENT

- 5.1.1 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.
- 5.1.2 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:

Nil

Richard Benjamin
Chief Audit Executive

James Flannery
Counter Fraud Manager

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
Climate Change	Substantial	<p>Key Strengths</p> <ul style="list-style-type: none"> • There is a Climate Change Strategy with an accompanying Action Plan. • Climate change considerations are embedded within TMBC with examples seen of existing projects being amended to take into consideration the 2030 carbon neutral goal. • Designated action owners recognised their responsibility towards completing the aims in the Action Plan and supporting the aspiration to meet the 2030 carbon neutral goal. • Appropriate monitoring of progress towards the achievement of targets detailed is taking place with regular and timely updates from action owners. There is sufficient evidence to confirm that actions closed have actually been completed. • There is evidence that any uncompleted actions from the previous year's action plan are carried forward to the current year with ongoing monitoring through to completion. • There is new structure put in place for quarterly Office Study Group meetings to improve communication and progress updates of the Action Plan. • The Climate Change Officer has two carbon audits in progress, once completed these will provide useful information regarding the carbon reduction impact of future actions which will allow TMBC to focus on prioritising actions with the largest carbon reduction impacts. <p>Areas for Development</p> <ul style="list-style-type: none"> • The Climate Change Strategy has not been reviewed since it was approved in 2019 and there are no future plans to review it to ensure that it remains up to date, reflects any changes in relevant guidance and legislation and accurately details the Councils progress towards achieving the 2030 Carbon Neutral Goal. • The Climate Change Strategy was drafted with only limited expert consultation regarding content or achievability of targets. • Climate Change agenda related costs are not being reflected in the medium term financial strategy other than a relatively small sum to meet one-off / time limited expenditure. <p>Summary of management responses</p> <table border="1" data-bbox="622 1187 1688 1442"> <thead> <tr> <th></th> <th>Number of recommendations raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> </tbody> </table>		Number of recommendations raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	1	1	0	Low Risk	1	1	0
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Audit Review Title	Audit Opinion	Scope of Audit and Findings																
<p>Fly Tipping and Enforcement</p>	<p>Adequate</p>	<p>Key Strengths</p> <ul style="list-style-type: none"> • Policies and process maps mean that staff roles and responsibilities are clear. • Internal Audit reviewed a random sample of cases and found all referrals had the necessary referral information accurately recorded and each had been assigned to a Waste Enforcement Officer (WEO) for action. • From the sample of cases, it was found that referrals are collected on a timely basis. On average, it takes 2 days from the referral being allocated to a WEO to collection. • Capacity of Urbaser (TMBC waste contractor) is sufficient to manage fly tip clearance. Cases sampled were allocated to the Urbaser ‘hit squad’ for collection, where appropriate. Urbaser routinely complete their workload however, any collections that were not completed are carried over to be completed the next day. • TMBC are actively finding preventive measures to implement to reduce fly tipping cases such as working, sharing and collating data with other local authorities and conducting engagement days in schools. <p>Areas for Development</p> <ul style="list-style-type: none"> • After referrals are logged onto the system, there is no central monitoring or oversight to ensure that processes are being followed and cases tracked through to completion. (Issue 1) • Invoices had been paid for two additional and/or hazardous collections sub contracted by Urbaser to another company without appropriate supporting evidence that the collection had been made. (Issue 2) • Internal Audit were not able to ascertain if there had been any enforcement work pursued for fly tipping instances. (Issue 3) <p>Summary of management responses</p> <table border="1" data-bbox="622 959 1883 1182"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Medium Risk</td> <td>3</td> <td>3</td> <td>N/A</td> </tr> <tr> <td>Low Risk</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	N/A	N/A	N/A	Medium Risk	3	3	N/A	Low Risk	N/A	N/A	N/A
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Audit Review Title	Audit Opinion	Scope of Audit and Findings																		
GDPR	Adequate	<p>Key Strengths</p> <ul style="list-style-type: none"> Retention Schedules are in place for all services. The DPO and SIRO responsibilities now sit with two different officers providing segregation of duties. The services tested are holding little to no paper information. All the Retention Schedules tested are in line with their Privacy Notices. Privacy Notices are available for all services. <p>Areas for Development</p> <ul style="list-style-type: none"> Data needs to be deleted in line with the Retention Schedules for all services. The Retention Schedules need to be reviewed to remain up to date. <p>The outcomes of the audit are summarised below:</p> <table border="1" data-bbox="622 719 1888 1481"> <thead> <tr> <th data-bbox="622 719 943 842">Issue</th> <th data-bbox="943 719 1167 842">Priority Level in July 21 Report</th> <th data-bbox="1167 719 1888 842">Conclusion from Follow Up Audit</th> </tr> </thead> <tbody> <tr> <td data-bbox="622 842 943 951">Split Role of DPO & SIRO</td> <td data-bbox="943 842 1167 951">High</td> <td data-bbox="1167 842 1888 951">Implemented</td> </tr> <tr> <td data-bbox="622 951 943 1126">Retention Schedule for both Licensing and Community Services</td> <td data-bbox="943 951 1167 1126">High</td> <td data-bbox="1167 951 1888 1126">Implemented</td> </tr> <tr> <td data-bbox="622 1126 943 1270">Review and updating of Retention Schedules</td> <td data-bbox="943 1126 1167 1270">Medium</td> <td data-bbox="1167 1126 1888 1270">Implemented</td> </tr> <tr> <td data-bbox="622 1270 943 1374">Deletion of data</td> <td data-bbox="943 1270 1167 1374">High</td> <td data-bbox="1167 1270 1888 1374">On Going</td> </tr> <tr> <td data-bbox="622 1374 943 1481">Privacy Notices</td> <td data-bbox="943 1374 1167 1481">High</td> <td data-bbox="1167 1374 1888 1481">Implemented</td> </tr> </tbody> </table>	Issue	Priority Level in July 21 Report	Conclusion from Follow Up Audit	Split Role of DPO & SIRO	High	Implemented	Retention Schedule for both Licensing and Community Services	High	Implemented	Review and updating of Retention Schedules	Medium	Implemented	Deletion of data	High	On Going	Privacy Notices	High	Implemented
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Privacy Notices	High	Implemented																		

Audit Review Title	Audit Opinion	Scope of Audit and Findings
Member Declaration of Interest / Expenses allocation	Substantial	<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, Councillors, contractors etc.). These are thorough, with the internal policy reviewed annually by the Internal Audit Manager and approved by the General Purposes Committee. • There is an Antifraud, Dribery and Corruption Policy which is thorough, annually reviewed by the Audit Assurance Manager, and approved by the 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. <p>Areas for Development</p> <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

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
		<p>the current Code of Conduct.</p> <ul style="list-style-type: none"> • When using the search function on the TMBC website to search for the 'Antifraud, 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 attended any Code of Conduct training. <p>Summary of management responses</p> <table border="1" data-bbox="618 560 1883 783"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <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> </tbody> </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
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Audit Review Title	Audit Opinion	Scope of Audit and Findings																
<p>Taxi and Vehicle licensing, Monitoring and enforcement</p>	<p>Adequate</p>	<p>Key Strengths</p> <ul style="list-style-type: none"> • Policy and guidance documents available to license applicants on the TMBC website provide clear step by step guidance for applying for each license type. • Policy and guidance documents for applicants have been reviewed to ensure compliance with TMBC digital accessibility requirements. • A suite of process flow documents has been developed, these documents reflect current processes and will provide a good basis for the team to prepare for the migration onto the AGILE system later in the year. • Procedures followed for new and renewal applications are robust with licenses only issued once all necessary documents have been provided by the applicant and appropriate checks completed by licensing team members. • There is clear understanding of the information required by TMBC management and other agencies such as Defra and HMRC with appropriate reports produced and issued as required. • One recommendation raised on the previous audit of Taxi Licensing can now be closed as there is a clear process in place to ensure that enforcement action can be taken where pink copies of the vehicle safety compliance form are not returned from the 6 monthly vehicle checks. <p>Areas for Development</p> <ul style="list-style-type: none"> • Much of the procedural guidance available to staff is incomplete, out of date and not version controlled. Only 3 of the procedural guides reviewed remain reflective of current processes. • TMBC Taxi and Private Hire Policy states that there is a requirement for every licensed driver applicant to hold and maintain an on-line DBS Certificate through the Update Service but not currently being enforced. For license renewals, reliance is placed on the license applicant submitting the DBS certificate to TMBC, the team are not consistently following up with license holders when DBS certificates are not produced. • The spreadsheets used to track new and renewal license applications are not kept up to date when final licence badges or vehicle plates are issued. Occasions were identified where there was conflicting data within the monitoring spreadsheet itself and also between the monitoring spreadsheet and Uniform. • The number of approved garages for undertaking vehicle checks is potentially higher than is needed however the licensing team are not currently collating information in a format that allows for full analysis and identification of garages which could be removed from the approved list. • The current approved garages have not been subject to recent inspection to ensure that standards outlined in the TMBC Taxi and Private Hire policy are being adhered to. Contracts or Service Level Agreements issued to garages would have been prior to 2017 and are therefore highly likely to be out of date. <p>Summary of management responses</p> <table border="1" data-bbox="622 1329 1883 1543"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Medium Risk</td> <td>4</td> <td>4</td> <td>N/A</td> </tr> <tr> <td>Low Risk</td> <td>2</td> <td>2</td> <td>N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	N/A	N/A	Medium Risk	4	4	N/A	Low Risk	2	2	N/A
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Audit Review Title	Audit Opinion	Scope of Audit and Findings																
Freedom of Information and Subject Access Requests	Adequate	<p>Key Strengths</p> <ul style="list-style-type: none"> • TMBC maintain the necessary information on the website to support members of the public to request FOI/SAR. • The FOI/SAR policy statement details the responsibilities of all staff who manage requests for information. • The Administration Team provide a central point of contact for requests and distribute requests received effectively to the relevant service for action. • Coordinators keep a record of all requests received and forward to responders to gather the information required. • Training for coordinators and responders was completed in April 2021, with a refresher course organised recently. • TMBC has provided adequate access to enable the public to request information under the Freedom of Information Act 2000 and Data Protection Act 2018. • All requests for information are logged, allocated a reference number and confirmation of receipt is forwarded to the requestor. • Where data was withheld from responses, there were clear detailed reasons for non-disclosure with a disclosure notice included. • Disclosure notices provide information of action if the requester were dissatisfied with the response. • Internal Reviews/Complaints are recorded on the same log as FOI/SAR requests and colour coded accordingly. All records of involvement are in one place and easy to track. <p>Areas for Development</p> <ul style="list-style-type: none"> • Not all staff have received the appropriate training to manage requests for Freedom of Information and Subject Access Requests. • A variety of spreadsheets/logs are used to record FOI/SAR, therefore no consistency from service to service. • It was unclear whether FOI requests had been responded to in the timescales stipulated by the legislation. • The main log, where requests are recorded, is incomplete as the services do not consistently notify the administration team of the response. There is no follow-up of requests to ensure they have been actioned. • Monitoring and reporting of the number of FOI/SAR requests received is not undertaken. • Sample testing did not provided conclusive proof that all SAR requests were verified prior to being processed. • The main spreadsheet/log was not updated for all the internal reviews completed. <p>Summary of management responses</p> <table border="1" data-bbox="622 1295 1883 1513"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>1</td> <td>1</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>2</td> <td>2</td> <td>0</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	1	1	0	Medium Risk	2	2	0	Low Risk	2	2	0
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Audit Review Title	Audit Opinion	Scope of Audit and Findings
Performance Management and Data Quality	N/a	<p>The Corporate Strategy has been subject to internal consultation, presented to the Overview and Scrutiny Committee and is now out to external consultation with responses starting to come in with the document on the Council website and public meetings scheduled. The values, priorities and strategies of the Corporate Strategy must be linked, aligned and supported by KPIs..</p> <p>It is recognised that work has commenced on KPIs as there is an appetite to get things up and running with an exercise conducted with the management team and informal cabinet that produced a spreadsheet suite of KPIs that were thought to be the most relevant. Management acknowledges that the KPIs spreadsheet is a work-in-progress and the Corporate Strategy and KPIs need to sit in tandem and a gap analysis is on-going to ensure that this aim is realised.</p> <p>At the time of the audit, the KPIs had been reported to the Housing and Planning Scrutiny Select Committee. It was established that KPIs are a standing agenda item for the Select Scrutiny and Overview and Scrutiny Committees that are scheduled for the coming months. By contrast, KPIs are not a standing agenda item at Service meetings and this needs to be rectified in order to help promote and establish a performance culture throughout the Council.</p> <p>The Committees meet five times per year with a substantial proportion of the KPIs being produced on a quarterly and annual basis and are returns to a variety of bodies, so the two are not in sync. A Power BI solution that provides real time data was used for Planning Enforcement and Management would like to use it more extensively, so as to provide both the Committees and Service Management with more timely data.</p> <p>There are dedicated officers across the Council that upload performance management information onto SharePoint with the Strategic Economic Regeneration Manager has overall responsibility for performance management.</p> <p>Data quality checks across the Council require strengthening to make them robust including:</p> <ul style="list-style-type: none"> • Validation control input; • Exception reporting and checks on completeness, accuracy and consistency; and • Data integrity – access controls on systems and folders where data is held.
IT Infrastructure	Substantial	See Cyber Security

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
<p>Council Tax Administration (Recovery and write offs)</p>	<p>Substantial</p>	<p>Key Strengths</p> <ul style="list-style-type: none"> Information is available on the TMBC website of the different types of discounts and exemptions and aligns with legislation. An information sheet is sent out at the beginning of the new Council Tax year outlining a select number of scenarios where a discount or exemption is available. Where applications are complete, there are declarations contained in them to attest to the correct information being supplied. Corporate Debt Policy was approved as a Non-Key Decision in January 2022 and signed appropriately. The Recovery process for arrears is documented in clear departmental flowcharts, which aligns with relevant legislation. All accounts in arrears selected were in the recovery process and met legislative timeframes. All accounts sampled that had gone to a court hearing were either settled, had a payment plan, had an attachment of earning/disability deduction or have been referred to an enforcement agent. Adequate checks were made to locate debtors and 'write off' of the debts sampled occurred only when the debtors were untraceable, it was uneconomical to recover the debt, or the debt was unrecoverable. The write off of Council Tax debt adhered to the Councils Corporate Debt policy and authorisation was sought, correctly, from the Director of Finance and Transformation or the Cabinet Member for Finance, Innovation and Property dependent on the value. <p>Areas for Development</p> <ul style="list-style-type: none"> Severely Mentally Impaired (SMI) application forms do not capture where there are additional adults in the household. Planned end dates are not added to the system where known for a discount or exemption, and regular reviews are not completed for all exemption and discounts. Risks contained on the risk register regarding the collection of Council Tax are vague with no detailed controls to mitigate the risk given. The decision documentation provided to committee groups debts together and does not provide detailed information on each high value debt for the cabinet member to make an informed decision. <p>Summary of management responses</p> <table border="1" data-bbox="622 1257 1883 1481"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>3</td> <td>3</td> <td>0</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	1	1	0	Low Risk	3	3	0
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Low Risk	3	3	0															

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
<p>Business Rates Admin</p>	<p>Substantial</p>	<p>Key Strengths</p> <ul style="list-style-type: none"> • The collection of business rates is monitored and, as at 31 March 2023, the collection rate was 99.37%. • Reconciliations are carried out to ensure the annual billing process is complete and accurate. • Access to the business rates system, NEC, is restricted and controlled. • Property inspections have resumed following the lifting of pandemic restrictions. <p>Areas for Development</p> <ul style="list-style-type: none"> • Improvements are required to recordkeeping to ensure there is a clear audit trail for the award and removal of business rates reliefs and exemptions. • Changes in rateable value for deleted properties were not processed accurately on NEC for 4 out of 30 changes in rateable value reviewed and at times, revised bills were not generated promptly. • Ratepayer addresses are not checked proactively and there is no evidence to demonstrate that annual business rates bills were sent out by the statutory deadline. • <p>Summary of management responses</p> <table border="1" data-bbox="622 743 1883 967"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>2</td> <td>0</td> <td>2</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	1	1	0	Low Risk	2	0	2
	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed															
High Risk	0	0	0															
Medium Risk	1	1	0															
Low Risk	2	0	2															

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
Accounts Payable	Substantial	<p>Key Strengths</p> <ul style="list-style-type: none"> • Access to the Accounts Payable system (Integra) to raise and approve orders and register invoices for payment is controlled and restricted. • There is adequate segregation of duties for the vast majority of purchase orders raised. • Invoices are checked and verified before being paid. • Chief Officers maintain a list of staff who have been given the delegated authority to approve orders and invoices. • Only authorised officers have been approving orders and invoices and within their delegated financial limits. • Urgent and manual payments made to suppliers outside of the Accounts Payable system were found to be rare and in exceptional circumstances. • Undisputed invoices received by the Exchequer Services are being paid in a timely manner (within 30 days). • System interrogation/exception reports are run on a regular basis to identified unusual or irregular transactions for investigation. Work is also in progress to develop a duplicate payments report. • Performance in terms of paying suppliers is monitored and reported to elected members and the general public for openness and transparency. <p>Areas for Development</p> <ul style="list-style-type: none"> • Improve the process for setting up new suppliers by including checks on VAT registration status should the supplier wish to charge VAT. • Lack of retain evidence for checks to verify bank account change requests. • There is adequate segregation of duties for the vast majority of purchase orders raised, but there is a gap in the Accounts Payable system that compromises the segregation of duties and allowed the self-authorisation of a purchase order. • Staff not responsible for service delivery are given the authority and financial limit to commit the Council to high value expenditure. • This tolerance level by which an invoice amount can exceed the order value is reasonable for high value order, but it exposes low to medium value orders to a greater risk of financial loss. • Electronic orders are not being raised for purchase of temporary agency staffing which is not in line with the Council's Financial Procedure Rules. <p>Summary of management responses</p> <table border="1" data-bbox="622 1278 1883 1501"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>6</td> <td>6</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	6	6	0	Low Risk	0	0	0
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High Risk	0	0	0															
Medium Risk	6	6	0															
Low Risk	0	0	0															

Audit Review Title	Audit Opinion	Scope of Audit and Findings
Local Plan	N/a	<p>Internal Audit has been engaged on a consultancy basis, acting as a critical friend to provide embedded assurance and advice on the project management of the draft Local Plan. This included evaluating the controls in place to effectively manage the preparation of the draft Local Plan in accordance with the timetable and that the risks associated with the draft Local Plan being withdrawn again are sufficiently mitigated.</p> <p>The Planning and Policy Manager (PPM) has been proactive in tightening Local Plan project management controls. A Microsoft Project Work Programme is used to manage Local Plan tasks, resources, and the critical path. The PPM's scoping and scoring templates have also strengthened procurement controls.</p> <p>Meetings with the Planning Policy team, Senior Management and the Councillors that focus on key risks and issues will help to ensure progress in priority areas.</p> <p>Ongoing lessons learned exercises should also improve Planning Policy's efficiency and effectiveness. As a result of previous lessons learned, the procurement of a more user-friendly engagement portal is underway, to save the team valuable time inputting thousands of public consultation representations.</p> <p>Effective Legal support is required to ensure that suitable contracts are in place to hold contractors to account. Timely advice on legal matters will reduce the risk of the Local Plan being withdrawn again.</p>

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
<p>Disabled Facilities Grant</p>	<p>Adequate</p>	<p>Key Strengths</p> <ul style="list-style-type: none"> • 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. The majority 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. <p>Areas for Development</p> <ul style="list-style-type: none"> • 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 on the IT system including letters to clients, a variation notice, and payment certificates. • The Uniform system, used for recording and monitoring grants, 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. <p>Summary of management responses</p> <table border="1" data-bbox="622 1118 1854 1377"> <thead> <tr> <th></th> <th>Number of recommendations raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <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>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		Number of recommendations 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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High Risk	0	0	0															
Medium Risk	2	2	0															
Low Risk	0	0	0															

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
Parking	Limited	<p>Key Strengths</p> <ul style="list-style-type: none"> 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 carparks and onstreet 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 withholding 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. <p>Areas for Development</p> <ul style="list-style-type: none"> 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. <p>Summary of management responses</p> <table border="1" data-bbox="622 1129 1863 1353"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>2</td> <td>2</td> <td>N/A</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>N/A</td> </tr> <tr> <td>Low Risk</td> <td>1</td> <td>1</td> <td>N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	2	2	N/A	Medium Risk	1	1	N/A	Low Risk	1	1	N/A
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High Risk	2	2	N/A															
Medium Risk	1	1	N/A															
Low Risk	1	1	N/A															

Audit Review Title	Audit Opinion	Scope of Audit and Findings																
Landscaping Contract Management	Adequate	<p>Key Strengths</p> <ul style="list-style-type: none"> The Head of Street Scene and Leisure, Leisure Services Manager, the Leisure Services Officer and the Parks Officer between them have 53 years of experience with the Council's Outdoor Leisure Team and managing the Council's service contracts. Notwithstanding the early submission of invoices, the Council has paid these in no more than 29 days from receipt, with the average period being 18 days. The Council sought and received Green Flag Awards for two areas covered by the Maintenance Contract. Complaints about the quality of the sites maintained by the Contractor have been consistently low in number. There is good dialogue between the Council's Outdoor Leisure Team and the Contractor. The Council's Outdoor Services Manager meets weekly with his counterpart to discuss the Contractor's programme of work. There is good senior management engagement from the Contractor. Throughout 2022, the Contractor's Contract Manager, Regional Manager and Divisional Director attended all four Quarterly Liaison Meetings. The Council commissioned Waste Consulting LLP to review options for delivering grounds maintenance services after the expiry of the Contract. The Council established an Officer Study Group to review the future provision of grounds maintenance services. <p>Areas for Development</p> <ul style="list-style-type: none"> Ensure the Outdoor Leisure Team have the skills and knowledge to address the contract management risks. Assess the capacity of members of the Outdoor Leisure Team to exercise the Council's contractual powers and fulfil its obligations while these individuals also fulfil their other duties. Determine the management information that the Outdoor Services Team needs to provide assurance that the Contractor is progressing its activities, as agreed, and meeting the performance requirements in the Contract. Review and resolve possible ambiguities linked to the Default provisions in the Contract and the provisions for making payment deductions. Remind the Contractor of the contractual provisions governing submission of invoices. Establish a clear set of realistic and consistent objectives for the new grounds maintenance arrangements that define the quality of outcomes that can be achieved within a potentially constrained financial envelope. Conduct regular reviews of the risk register for Leisure Services and ensure that mitigations cover a comprehensive range of reasonable scenarios. <p>Summary of management responses</p> <table border="1" data-bbox="622 1310 1883 1533"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>4</td> <td>4</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>4</td> <td>4</td> <td>0</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	4	4	0	Low Risk	4	4	0
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High Risk	0	0	0															
Medium Risk	4	4	0															
Low Risk	4	4	0															

Audit Review Title	Audit Opinion	Scope of Audit and Findings																		
Cyber Security	Substantial	<p>Key Strengths</p> <ul style="list-style-type: none"> • Cyber security training, bulletins, and phishing simulations have increased user awareness and knowledge. • There is perimeter protection, alerting, logging of traffic, threats, and preventative actions. • Next Generation (NG) Firewalls are used. • There is deployment and monitoring of security protection to workstations and servers, to prevent exploitation from virus and malware. • Annual external and internal IT Health Checks (ITHC) are carried out by a National Cyber Security Centre (NCSC) approved, independent consultant. • Automated tools/systems are used to continually monitor the health, configuration, and security of the network. • IT inventories of servers and desktop equipment are in place. • A Change Advisory Board approves proposed network and system changes. • IT Helpdesk tickets are assigned for each outstanding vulnerability. • There is organisation of resources, oversight, and prioritisation of work to reduce security risks. • The health of the backups of Council systems and data are routinely monitored and tested. • Backups are encrypted with a secure cypher and stored in the Cloud in an immutable format. • There has been a successful recovery of a system outage from a back-up. • Incidents are reported and any lessons learned are documented. • Setting up of user accounts and access to the Council’s systems are authorised by the line manager and relevant system administrator. • Policies and Procedures direct readers to work in secure ways to prevent inappropriate access to data. • User accounts are being managed, and the key detective control to identify and remove leaver accounts is working effectively. <p>Areas for Development</p> <ul style="list-style-type: none"> • Service records were unavailable for the Air Conditioning Units (ACU), residing in the physical data centre; the risk of ACU failure was not registered. • Risk Registers dated October 2022 and November 2022 respectively did not evidence when subsequent reviews had been carried out. • The suite of ICT Policies and Procedures was updated on a priority basis to include new systems and practices, however some documentation reviews were outstanding. <table border="1" data-bbox="622 1273 1890 1492"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>3</td> <td>3</td> <td>0</td> </tr> </tbody> </table>				Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	0	0	0	Low Risk	3	3	0
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High Risk	0	0	0																	
Medium Risk	0	0	0																	
Low Risk	3	3	0																	

Internal Audit and Fraud Key Performance Indicators 2022/23

KPI	Target	Performance
Customer		
Client satisfaction surveys (Fraud) - % positive responses	90%	100%
Client satisfaction surveys (Audit) - % positive responses	90%	99%
Internal Process and Quality		
Outcome of annual self-assessment/EQA - Compliance with Public Sector Internal Audit Standards		Assessed from the External Quality Assessment as 'Generally Compliant'
Audit Plan completion - % completion	90%	92%
NFI Progress - % processed against target	90%	80%
Time from end of fieldwork to Draft Report – % within 10 working days	85%	67%
Time from referral to conclusion of investigation - % completed within 12 weeks	85%	72% (<i>Delays with investigations were due to joint working with DWP, where in some cases it took the DWP 6-8 weeks to allocate cases for investigation</i>)
Learning and Innovation		
Days training received – no of days per staff member	5	6.8 average per staff member. (<i>This exclude members of staff working on the TMBC plan who are enrolled with Birmingham City University as there training days will be in excess of 25 and would skew the KPI.</i>)
Days training provided – no of days delivered against planned days	75%	100%
Maintenance of Continual Professional Development for relevant staff	100%	100%
Implementation of improvement actions from Quality Assessments - % completed in line with agreed implementation date	90%	88%
Organisational		
% Recommendations implemented by original date	80%	75%
% of open recommendations overdue	10%	48%
Time from issue of Draft Report to completion of Action Plan – % within 10 working days	85%	54%

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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 – To be complete with ne Audit Committee post May 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.	Internal Audit Manager	Complete
1220 Due Professional Care	4. Develop the use of data analytics and make a consideration of planning and manager review for each audit.	Internal Audit Manager	Complete
1300 Quality Assurance and Improvement Programme (QAIP)	5. 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.	Internal Audit Manager	Complete
	6. Ensure Self assessments and Customer surveys are completed and returned after each audit.		Complete
2010 Planning	7. Audit Universe needs updating and considered in conducting annual audit planning.	Internal Audit Manager	Complete
	8. Better documentation of IA risk assessment where required.		Ongoing

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	BIENNIAL NFI 2020/21 EXERCISE	Annual NFI Exercises			
	Summary	Council tax to HMRC household composition	Council tax to electoral register	Council tax rising 18s	Council tax to other data sets
Total matches	881	1185	471	48	2164
Processed matches	881	238	471	48	2164
Percentage complete	100%	20%	100%	100%	100%
Frauds	0	0	0	0	0
Fraud value	0	£0	£0	£0	£0
Error	24	10	90	28	7
Error value	£77,660	£6,707	£58,733	£2,558	£6,157
Cleared NFA	857	228	381	20	2157
Open cases	0	0	0	0	0

	BIENNIAL NFI 2022/23 EXERCISE	Annual NFI Exercises	
	Summary	Council tax to electoral register	Council tax rising 18s
Total matches	575	440	24
Processed matches	21	221	3
Percentage complete	4%	50%	0
Frauds	0	0	£0
Fraud value	0	£0	3
Error	4	53	£0
Error value	0	£18,063	0
Cleared NFA	17	381	2
Open cases	0	0	0

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

24 July 2023

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE

A progress report and update on emerging national issues and developments from our external auditor, Grant Thornton.

1.1 Introduction

1.1.1 Attached at **[Annex 1]** is a progress report and sector update from Grant Thornton covering information on a number of areas including:

- Progress in delivering external auditor including progress at July 2023.
- Infrastructure assets update.
- Delayed publication of audited local authority accounts.
- Local government procurement and contract management.
- SEND deficits.
- Sustainability: Finance at the heart of decision making.
- Audit market developments.
- Nearly 60 councils at risk of 'running out of money' next year.
- Audit Committees: Practical Guidance for Local Authorities and Police – CIPFA.

1.2 Legal Implications

1.2.1 As set out in the paper.

1.3 Financial and Value for Money Considerations

1.3.1 The fee for the audit of the 2022/23 Accounts is £61,099 compared to £59,873 for the 2021/22 audit, an increase of £1,226 or 2.0%.

1.4 Risk Assessment

1.4.1 As set out in the paper.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton

Director of Finance and Transformation

Tonbridge and Malling Borough Council Audit Progress Report and Sector Update

Year ended 31 March 2023

24 July 2023
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Progress at July 2023	4
Audit deliverables	6
Infrastructure assets update	7
Sector update	8

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

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Introduction

Your key Grant Thornton team members are:

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Audit Assistant Manager

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

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

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>.

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

Progress at July 2023

Financial statements audit

We undertook our initial planning for the 2022-23 audit in February 2023.

Our initial planning included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Council makes material estimates for the financial statements

Early work on emerging accounting and auditing issues

Determining planning materiality and significant risks

April 2023 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2022-23 financial statements.

We started work on the final audit of your financial statements for 2022-23 from the week commencing 3 July 2023. The audit work is underway, and we will report our work in the Audit Findings Report, and aim to give our opinion on the Statement of Accounts by 30 September 2023. There are no matters to report as of the date of this report.

The deadline for publishing audited local authority accounts is 30 September for 2022-23 onwards.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office (NAO) have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

The audit work is underway and we anticipate issuing our Auditor's Annual Report along with the Audit Finding Report on 25 September 2023, subject to completion of outstanding audit procedures.

Other areas

Meetings

We met with Finance Officers in March and July 2023 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July 2023 to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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

Audit fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022-23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018-19 to 2021-22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your S151 Officer including any proposed variations to the scale fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit deliverables

2022-23 Deliverables

	Planned date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2022-23 financial statements and to issue a commentary on the Council's value for money arrangements in the Auditor's Annual Report.</p>	April 2023	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the September Audit Committee.</p>	September 2023	Not yet due
<p>Auditor's Report</p> <p>This includes the opinion on your financial statements.</p>	September 2023	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	September 2023	Not yet due

Infrastructure assets update

Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

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An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components

A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.



The full report can be found [here](#).

How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UELs).

Where the infrastructure asset balances are material to your financial statements, we are currently considering how the SI and Code update have been considered by the Council, e.g. how derecognised components have been accounted for and how the financial statement disclosures have been updated. We are currently carrying out further audit procedures to assess the material accuracy of in year movements for the year ended 31 March 2023, including infrastructure asset additions, impairments and depreciation charges.

Sector update

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

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

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

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

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

Public Sector

Local
government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

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Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

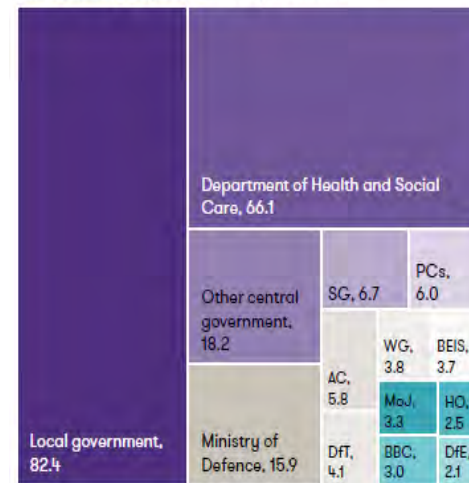
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[Full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

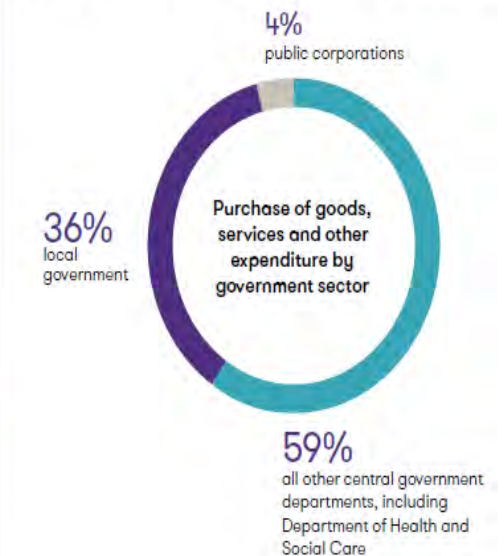
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



- PCs Other Public Corporations
- DfT Department for Transport
- WG Welsh Government
- HO Home Office
- DfE Department of Education
- SG Scottish Government
- AC Academies
- MoJ Ministry of Justice
- BBC British Broadcasting Corporation
- BEIS Department of Business, Industry Strategy

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12 December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

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In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".



Stonewall Gold Employer: Grant Thornton's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)

Audit market developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a ‘major’ local audit and the FRC’s report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

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The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either ‘good’ or ‘generally acceptable’, but one file ‘required improvement’.

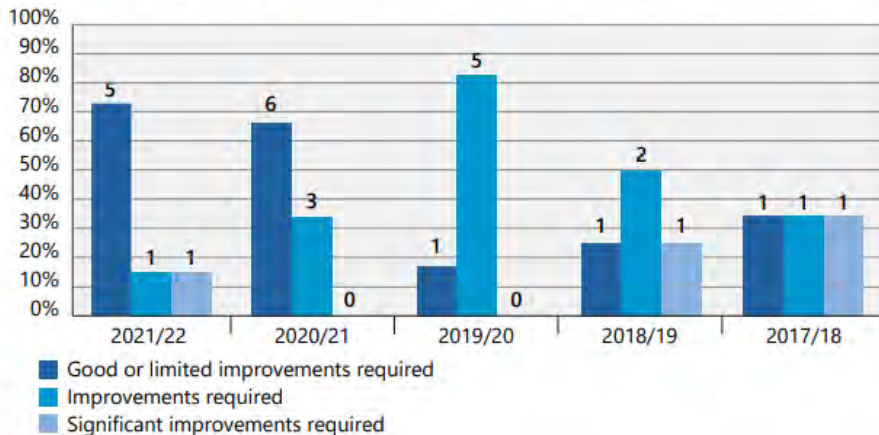
The ICAEW identified one of our files as requiring ‘Improvement’ – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years’ review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams’ work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Audit market developments (continued)

Local Government external audit procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

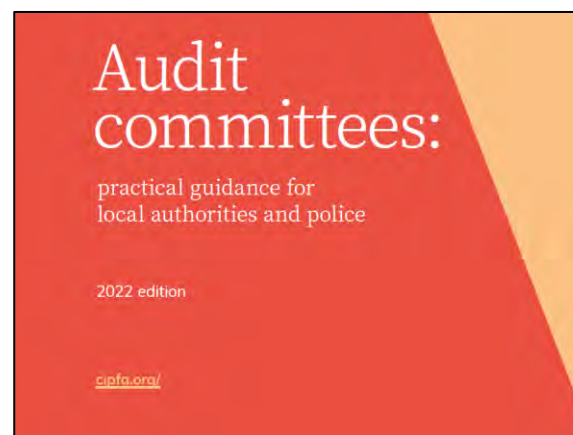
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



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Agenda Item 15

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

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Agenda Item 16

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 17

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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