

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive
Damian Roberts

Gibson Building
Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ
West Malling (01732) 844522

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

12 July 2024

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, 22nd July, 2024 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

DAMIAN ROBERTS

Chief Executive

A G E N D A

1. Guidance on the Conduct of Meetings 5 - 6

PART 1 - PUBLIC

2. Apologies for absence

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| 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.

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| 5. | Minutes | 11 - 18 |
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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 15 April 2024.

Matters for Recommendation to Council

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| 6. | Local Code of Corporate Governance | 19 - 42 |
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This report informs Members of the outcome of the annual review of the Local Code of Corporate Governance.

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| 7. | Treasury Management Update and Annual Report for 2023/24 | 43 - 70 |
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The report provides an update on treasury management activity undertaken during April to May of the current financial year. The treasury management outturn position for 2023/24 is also included in the report.

Matters for Recommendation to the Cabinet

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| 8. | Risk Management | 71 - 92 |
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The report provides an update on the risk management process and the Strategic Risk Register.

Matters for Decision under Delegated Powers

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| 9. | Annual Governance Statement 2023/24 | 93 - 98 |
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This report presents the Annual Governance Statement for the year ended 31 March 2024 for Members' endorsement. The Annual Governance Statement was signed by both the Leader of the Council and the Interim Chief Executive on 31 May 2024 and accompanies the Statement of Accounts 2023/24.

10. Statement of Accounts 2023/24 99 - 112

This report presents an unaudited set of Accounts for 2023/24 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 (Annex 1) will be published as a supplement.

11. Review of the Effectiveness of Internal Audit 113 - 122

This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2023/24.

Matters submitted for Information

12. 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 2023/24 123 - 154

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 2023/24 to support that opinion. In addition, the report also informs Members on the work of the Counter Fraud function in 2023/24.

13. Grant Thornton Audit Progress Report and Sector Update 155 - 172

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

14. 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.

Matters for consideration in Private

15. Exclusion of Press and Public 175 - 176

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

16. Urgent Items 177 - 178

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 T Bishop
Cllr J Clokey
Cllr M A J Hood

Cllr J R S Lark
Cllr B A Parry

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	Kath Barton		
2	Dan Harman	Paul Boxall	Anna Cope		
3	Sarah Hudson	Garry Bridge	Steve Crisp		
4	Alex McDermott	Trudy Dean	Robert Oliver		
5	Keith Tunstall	Roger Roud	Stacey Pilgrim		
Members of Cabinet cannot be appointed as a substitute to this Committee					

Updated: July 2024

June 2024

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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

Monday, 15th April, 2024

Present: 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 and Cllr B A Parry and Cllr T Bishop (substitute)

In attendance: Councillor K B Tanner was also present pursuant to Council Procedure Rule No 15.21.

Virtual: Councillors M A Coffin, Mrs A S Oakley and W E Palmer were also present pursuant to Council Procedure Rule No 15.21.

An apology for absence was received from Councillor Roud.

PART 1 - PUBLIC

AU 24/10 NOTIFICATION OF SUBSTITUTE MEMBERS

Notification of substitute Members were recorded as set out below:

- Cllr Bishop substituting for Cllr Roud

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 24/11 DECLARATIONS OF INTEREST

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

AU 24/12 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 15 January 2024 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO COUNCIL

AU 24/13 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 2023/24 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 CABINET

AU 24/14 RISK MANAGEMENT

Members received an update on the risk management process and the Strategic Risk Register (SRR). In January 2024, there were 7 risks categorised as 'red' as summarised below:

- Savings and Transformation Strategy
- Local Plan
- Implementation of the Agile software system
- Political factors including stability of political leadership and decision making
- Homes for Ukraine Scheme
- Carbon Neutral 2030 Aspiration
- Safeguarding and PREVENT

Since last reported, and at the snapshot in time that the Management Team had reassessed the risks, Safeguarding and PREVENT, Political factors including stability of political leadership and decision making, Homes for Ukraine Scheme and Carbon Neutral 2030 Aspiration were no longer identified as RED risks. However, Procurement had been added, giving a total of four remaining RED risks as follows:

- Savings and Transformation Strategy
- Local Plan
- Implementation of Agile software system
- Procurement.

At the request of Members, the Director of Planning, Housing and Environmental Health provided an update on the management of the Agile project risk, which remained RED, during which reference was made to the report submitted to the Overview and Scrutiny Committee on 4 April 2024. Members asked that further updates in respect of the Agile project risk be provided at future meetings.

During discussion, attention was brought to 'Procurement' which was identified as a significant weakness by Grant Thornton in their Annual Audit report. Members received an update regarding this risk, in particular the imminent engagement of procurement resources following a decision by Cabinet on 2 April 2024. It was therefore anticipated that the risk would be reduced at the next update.

RECOMMENDED*: That the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as 'RED', as well as the general positive 'direction of travel', be noted.

***Referred to Cabinet**

MATTERS TAKEN UNDER DELEGATED POWERS

AU 24/15 TREASURY MANAGEMENT PERFORMANCE UPDATE

The report of the Director of Finance and Transformation provided details of investments undertaken and return achieved in the first eleven months of the current financial year and made proposals in respect of the Lothbury Property Investment Fund.

A full list of investments held on 30 November 2023 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £2,931,760 was earned in interest to the end of February 2024, which exceeded expectation when compared to the revised estimate for the same period. This was due to the interest rates remaining elevated for longer than anticipated, and provided the authority with the opportunity to continue investing at the favourable rates currently available.

Members were advised that a forward deal for £3m with Close Brothers was agreed to commence in February 2024. Since agreeing the deal, and due to the current investigation by the FSA into motoring industry loans, Close Brother's long term rating had been downgraded, although the short term rating remained unaltered. The situation would be closely monitored and any emerging information would form part of the treasury updates whilst the deal remained active.

Thus far in 2023/24, the £5m investment in property funds had generated dividends of £136,970 which represented an annualised return of 3.65%.

The report outlined the current position of the Lothbury property fund. On 28 March 2024, following a vote, it was resolved that investors could exchange their units into the new Fund. Confirmation had been received from Lothbury that should the Council decide to disinvest at this time and not proceed to the new fund, there would be no exit fees payable prior to the deadline of 1 May 2024. During discussion, given the significant

regeneration plans the Council was progressing and the need to liquidate funds in the not too distant future, Members supported the recommendation that the redemption opportunity be registered in advance of the deadline of 1 May 2024. However Members requested that prior to the final notification, consideration be given to the redemption of part of the units in the fund with the transfer of the remainder to the new fund. It was suggested that delegated authority be granted to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance and Housing and the Chair of the Audit Committee to consider and determine whether a partial redemption be appropriate.

In terms of medium-term investment, the diversified income funds had generated £191,930 up to 29 February 2024 which represented an annualised return of 4.92%.

RESOLVED: That

- (1) the treasury management update be noted;
- (2) delegated authority be granted to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance and Housing and Chair of the Audit Committee to consider and determine whether a partial redemption of the Lothbury Property Fund be appropriate with the transfer of the remaining units to the new Fund; and
- (3) subject to the outcome of recommendation (2), the proposed redemption from the Lothbury Property Fund as explained at paragraphs 1.2.7 to 1.2.16, be approved.

AU 24/16 LOCAL AUDIT CONSULTATION

The report of the Director of Finance and Transformation informed Members of the Local Audit Consultation undertaken by the National Audit Office (NAO) on the progress for Local Authority Audit to be undertaken through to 2027/28. The report also provided an update on the proposed audit plan for the 2023/24 Financial Statements and consideration of the timing and signing of these statements.

The increased requirements of various International Auditing Standards and a lack of resources in both Local Government Accounting and External Audit teams had led to a backlog in the publication of audited accounts of local bodies in England. A Joint Statement from the Minister for Local Government, attached at Annex 2, proposed a way forward to tackle this backlog.

Attention was brought to Phase 2, the 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/28, which would impact on the Council's accounts being prepared for these financial

years. Work was commencing on the 2023/24 statements and the deadline for Publication of Accounts was 31 May 2024. However, priority was being given to those authorities whose 2022/23 Accounts remained unsigned. It was unlikely therefore that the Audit Team would commence on the Council's 2023/24 account until October 2024 with conclusion of the Audit in December 2024.

Members considered the options at paragraph 1.3.7 in terms of the timing and signing of the statements and noted the Auditors preferred option, that the Committee consider the accounts and Audit Finding Report at their meeting on 13 January 2025.

Members received the External Indicative Audit Plan 2023-24 attached at Annex 7, which was presented by the Key Audit Manager at Grant Thornton.

RESOLVED: That

- (1) the External Indicative Audit Plan 2023-24 attached at Annex 7, be noted;
- (2) the accounts and Audit Finding Report (AFR) be considered by the Audit Committee at their meeting on 13 January 2025; and
- (3) the responses returned by Officers in liaison with the Chairman, Vice Chairman and the Cabinet Member for Finance and Housing on the two Consultation proposals, be noted.

AU 24/17 INFORMING THE AUDIT RISK ASSESSMENT FOR TONBRIDGE AND MALLING BOROUGH COUNCIL 2023-24

The report of the Management Team 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.

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

AU 24/18 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 no amendments had been made.

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

AU 24/19 INTERNAL AUDIT AND FRAUD PLAN 2024-25

The report of the Chief Audit Executive presented the Internal Audit and Fraud Plan for 2024/25 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.

RESOLVED: That the Internal Audit and Fraud Plan for 2024/25, as set out at Annex 1 to the report, be approved.

MATTERS SUBMITTED FOR INFORMATION**AU 24/20 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. The progress report at Annex 1 provided an accumulative summary view of the work undertaken by Internal Audit for the period January 2024 to April 2024, together with the resulting conclusions where appropriate.

RESOLVED: That the Internal Audit Progress Report for the period January 2024 to April 2024, be noted.

AU 24/21 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 24/22 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 2024.

RESOLVED: That the report be noted.

The meeting ended at 9.07 pm

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

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 2023.

1.1.2 There are no substantive changes proposed to the Code. The Code has been revised to reflect a small number of minor updates within the past year including the following:

(a) The Procurement Partnership Agreement entered into by the Council on 1 May 2024.

(b) The inclusion of reference to the Statutory Officers' Meetings

(c) The Climate Change Action Plan for 2023 – 2024

(d) A review of the arrangements for dealing with Members Code of Conduct complaints (agreed by Council in October 2023)

1.1.3 A revised Code is attached as **Annex 1**. Changes to the code are shown as tracked changes.

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”

Damian Roberts
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).</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 policies and processes which are reviewed</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 Overview & Scrutiny committee and the Scrutiny Select Committees.</p>

<p>on a regular basis to ensure that they are operating effectively</p>	<p>The Council has a Corporate Strategy for 2023 - 2027- which sets out an overarching vision for the Council.</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"> • Codes 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 Joint Standards Committee to promote and maintain high standards of conduct by Members. The arrangements for handling complaints under the Code were reviewed during 2023/24 with revised arrangements agreed by Council in October 2023.
<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</p>	<p>The Code of Conduct for Members is enforced through the Standards process.</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) <ul style="list-style-type: none"> • publication of decisions and committee meeting minutes

	<ul style="list-style-type: none"> 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"> Codes 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</p>

	<p>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>The 3 Statutory Officers and their Deputies meet on a regular basis in order to review current and likely future issues that will raise ethical, political, financial, legal, staffing or other issues that may impact on their statutory duties.</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 Officer 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,</p>

	<p>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 a Corporate Strategy for 2023-2027 which sets out the Council's vision for a 4-year period. It emphasises the three key values of innovation, transformation and delivery and is supplemented by a Corporate Strategy Action Plan and Key Performance Indicators.</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>

Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.	The Council carries out consultation where this is a legal requirement.
2.2. Engaging comprehensively with institutional stakeholders	
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are successfully achieved and sustainably.	<p>The Council's Corporate Strategy 2023-2027 outlines the means by which local stakeholders (including institutional stakeholders) will be engaged and how constructive, challenging relationships will be built.</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>
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<p>The Council seeks to utilise Shared Service and Joint Working arrangements (where appropriate) 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>
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	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.
2.3 Engaging with individual citizens and services users effectively.	
Establishing a clear policy on the type of issues that the organization will meaningfully consult with or involve communities,	The Council is clear that it is ultimately accountable to the citizens of Tonbridge & Malling. The Council has a good understanding

<p>individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p>	<p>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 improve services, whether through the internal complaints system or via the Ombudsman. • 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 2023-2027. 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>
Delivering defined outcomes on a sustainable basis within the resources that will be available	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

	<p>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 for 2020-2030. Each year we produce a new climate change action plan and progress report to help meet the goals set out in our Climate Change The in-year action plans set out climate change targets for the Council for that year along with timetables for implementation.</p>

	All the action plans for previous years including the current year 4 of the Climate Change Action Plan for 2023/2024 are available on the council's website for public viewing.
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 Overview and Scrutiny 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 an option and reports will detail the legal implications of such action.</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	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>available including people, skills, land and assets and bearing in mind future impacts</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' study 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 to ensure they are up to date with current best practice.</p> <p>The Council has entered into a Procurement Partnership Agreement with Maidstone Borough Council & Tunbridge Wells Borough Council for the creation of a single combined Procurement Service to ensure robust advice</p>

	and guidance is given to the council when procuring goods and services.
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	
Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<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>
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>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.</p> <p>This may include changes in demand for services, including the growth in property, and proposed changes in fees and charges.</p>
Ensuring the achievement of “social value” through service planning and commissioning	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.
5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it	
5.1. Developing the entity’s capacity	
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>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

	<p>savings opportunities</p> <ul style="list-style-type: none"> • 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</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	The roles of the Leader of the Council and Chief Executive are clearly defined in the Council's Constitution.

and each provides a check and a balance for the other's authority	
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.	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: <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, Joint Standards Committee
Ensuring that there are structures in place to encourage public participation	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.
Holding staff to account through regular performance reviews which take account of training or development needs	Staff have access to appropriate induction training, and ongoing training on both an ad hoc and programmed basis relevant to their roles. The annual appraisal process reviews staff performance and also identifies training needs. Staff training takes place both through internal and external provision as appropriate.
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	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.
6. Managing risks and performance through robust internal control and strong public financial management	
6.1. Managing risk	
Recognizing that risk management is an integral part of all activities and must be considered in all aspects of decision making	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

	<p>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 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 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 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>The Overview and Scrutiny Committee and SSCs are also responsible for reviewing the performance of the Cabinet, Cabinet members, and Council Officers.</p> <p>Decisions made by Cabinet 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 & Panels with cross-party representation to ensure effective and robust discussion of issues. Relevant 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</p>

	can be accessed through the Council's website.
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.</p> <p>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 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.

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2023/24

The report provides an update on treasury management activity undertaken during April to May of the current financial year. The treasury management outturn position for 2023/24 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 in externally managed funds being presented to the Committee.

1.1.3 Kelly Watson, Head of Local Government Relationships from CCLA attended Audit Committee in July 2023, presenting the LAPF Portfolio which included the fund performance and the sustainable investment outcomes.

1.2 Economic Background

1.2.1 UK April inflation data disappointed to the upside with the annual CPI inflation falling from 3.2% to 2.3%, but this was above the Bank of England and consensus view of 2.1%, with services and core inflation (excluding energy, food, alcohol and tobacco) remaining at 5.9% and 3.9% respectively.

1.2.2 However, despite these upside surprises, the CPI measure of inflation is likely to fall close to or below 2% when next reported on 19 June, and based on Capital Economics' latest forecasts is likely to fall close to 1% within the next year. Indeed, Capital Economics also forecast RPI to fall close to zero over the same timeline.

1.2.3 Nonetheless, there remain several key factors that could act as a headwind to near-term rate cuts. The first of these is the stickiness of wage inflation. Average pay is increasing at close to 6% year on year, and the BoE will be keeping a close

eye on upcoming wage and employment data. In particular, it will be looking for a loosening in the labour market arising from a reduction in the near one million job vacancies, and an increase in unemployment (currently 4.3%).

- 1.2.4 Recent gilt market movements have been heavily influenced by the sentiment pertaining to US monetary policy. Again, inflation and labour data has proven challenging and the market's expectation for rate cuts has gradually reduced throughout the course of the year. In any event, if the BoE starts to cut rates before the US, it may mean that the medium and longer parts of the curve take longer to fully reflect any such action until the US yield curve shifts lower too. Given the potential inflationary upside risk to US treasuries depending on the outcome of the US Presidential Election in November (i.e. increased tariffs on imports from China) therein lies a further risk to yields remaining elevated for longer.
- 1.2.5 The upcoming General Election is not expected to have a significant impact on UK monetary policy. Both leading parties are aware of the public finance backdrop, and there is minimal leeway for further tax cuts or added spending without negatively impacting market sentiment.

1.3 Interest Rate Forecast

- 1.3.1 The Link Group's latest interest rate forecast below, updated following the Bank of England's Monetary Policy Committee (MPC) meeting on 9 May 2025, reflects the rates which have been kept on hold for several meetings but is now firmly in the camp of preparing the market for near-term interest rate cuts. The forecast assumes Bank Rate will see the first cut in September 2024, and a gradual reduction over the next two years to 3%.

Link - May 2024	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00
3 mth ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00
6 mth ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10
12 mth ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30
25yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30

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 2024/25 cash flow surpluses have averaged £18m per day.
- 1.4.4 The Authority also has £30m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.
- 1.4.5 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2024/25 and future years.
- 1.4.6 Long term investments at the end of May 2024 comprised £5m in property fund investments.
- 1.4.7 Medium term investments at the end of May 2024 comprised £4.25m in multi-asset diversified income funds.
- 1.4.8 A full list of investments held on 31 May 2024 is provided at **[Annex 1]** and a copy of our lending list of 31 May is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of May.

	Funds invested on 31 May 2024	Average duration to maturity	Weighted average rate of return	SONIA benchmark May 2024	Interest / dividends earned	Gross annualised return
	£m	Days	%	%	1 April to 31 May 2024 £	%
Cash flow	18.38	6	5.25	5.20	209,530	5.24
Core cash	30.00	128	5.57	5.16	284,800	5.59
Sub-total	48.38	82	5.43	--	494,330	5.43
Long term	5.00				32,400	3.89
Medium term	4.25				38,940	5.50
Total	57.63				565,670	5.32

Table 2

- 1.4.9 **Cash flow and Core cash Investments.** The SONIA one month average benchmark has remained static for several months now. In contrast, the three month average benchmark has started to shift. The downward trajectory of longer term investment rates on offer reflect market sentiment that interest rate reductions may be on the horizon. The investment portfolio will benefit from the higher rates previously secured in 2023/24, and investments will remain ahead of the investment curve for longer.
- 1.4.10 Interest earned of £494,304 to the end of May is £142,800 higher than the original estimate for the same period. The increase in income reflects the 5.25% bank rate which has been on hold for the sixth time in a row.
- 1.4.11 Bank offers are starting to pull back, reflecting the expected rate cuts now factored in for August/September of 0.25% and a further cut currently being factored into December (previously expected in Q1 of 2025). 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 2024 the Council's return at 5.57% (purple diamond) was above the local authority average of 5.04%. Based on the Council's exposure to credit / duration risk that return was above Link's predicted return (between the upper and lower boundary indicated by the diagonal lines). The Council's risk exposure was also consistent with other members within the benchmarking group.
- 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. However, in the near future it is likely that we will need to redeem these investments in order to provide funds for the re-build of the Angel Leisure Centre.
- 1.4.15 During the period 1 April 2024 to 31 May 2024 the £5m investment in property funds generated income from dividends of £32,400 which represents an annualised return of 3.89%. The investment figure excludes Lothbury Property Trust Fund which terminated on 30 May 2024 (see 1.4.19). Please note, the last published NAV (Net Asset Value) reports was 30 April 2024. Income for the remaining two funds is in line with the budget to the end of May.

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 (May 2024 data (*LPT April 2024)) vs initial purchase price are as follows:

Property fund	Purchase price	Sale value at date of purchase	Sale value 31 May 2024	31 May 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	price (c-a)
	£	£	£	£
LAPF (Primary, July 2017)	1,000,000	922,200	874,700	(125,300)
Lothbury (Primary, July 2017) *	1,000,000	927,700	717,200	(282,800)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	891,000	(109,000)
LAPF (Primary, June 2018)	1,000,000	922,200	838,600	(161,400)
Lothbury (Secondary, July 2018) *	1,000,000	973,000	703,400	(296,600)
Total change in principal	5,000,000	4,684,100	4,024,900	(975,100)
			Total dividends received to March 2024	1,054,800
			Net benefit since inception	79,700

Table 3

1.4.18 Since inception, the Council has received dividends from its property fund investments totalling £1,054,800. All property fund investments recorded capital depreciation in the period April 2024 to May 2024.

1.4.19 As Members have been previously advised, Lothbury Property Trust had, for several months, been in negotiations to find a suitable merger to enable investors to continue to hold shares within the property market. Unfortunately the merger discussions did not provide the desired result and concluded with the termination of the Lothbury Property Trust on 30 May 2024.

- 1.4.20 The first tranche to be paid back in respect of TMBC's holdings (0.17% of the fund) represents 43.9% of the 30 April 2024 Net Asset Value (NAV). I can confirm that a receipt of £633,998.53 was received on 5 June 2024.
- 1.4.21 A further tranche was received on 5 July 2024 in the sum of £146,569.55. Additional funds will be distributed as and when assets are sold. The target date to complete the sales process is Q4 2024, whilst ensuring best prices are achieved. Dividends will continue to be paid on income generating assets while the fund is in the process of securing the sale of such assets.
- 1.4.22 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.
- 1.4.23 **Medium-term investment.** £4.25m of the Council's expected medium term cash balances together with new money derived from the sale of assets has been invested in externally managed diversified income funds. These investments will generate an annual income stream and will provide capital appreciation over time.
- 1.4.24 Additional multi asset fund investments could be made in the future where resources become available from asset disposals and other windfalls. However, as with the property funds, it is likely that in the near future investments will need to be redeemed in order to provide funds for the re-build of the Angel Leisure Centre.
- 1.4.25 During the period 1 April 2023 to 31 May 2024 the £4.25m investment in multi asset diversified income funds generated income from dividends of £38,940 which represents an annualised return of 5.50%. Income has performed some £8,360 above budget to the end of May.
- 1.4.26 Since inception the Council has received dividends of £492,700 from its multi-asset diversified income funds, which represents an annualised return of 4.69%.
- 1.4.27 As at 31 May, the value of multi asset diversified income funds stood at £3.868m 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 end of May 2024, all the requirements contained in the 2024/25 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 or May 2024.

1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy. The 2024/25 Prudential and Treasury Indicators will be included for review as part of the treasury management report to the September 2024 meeting of Audit Committee.

1.6 2023/24 Treasury Management Outturn

1.6.1 A detailed report covering treasury management activity for the last financial year was submitted to Cabinet on 6 July 2024 as an annex to the Revenue and Capital Outturn report for 2023/24. 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:

	2023/24 Average balance £ m	Return %	2023/24 Interest/ dividends earned £	2023/24 Revised Estimate £	Variance Better (worse) £
Cash flow surplus	13.9	5.51	1,565,433	1,277,000	288,433
Core cash	32.0	5.39	1,641,582	1,103,000	538,582
Medium term investment	4.3	4.94	209,765	175,000	34,765
Long term investment	5.0	3.59	179,357	175,000	4,357
Total	55.2	5.28	3,596,137	2,730,000	866,137

Table 4

1.6.3 The combined performance of the Authority's investments exceeded the revised estimate by £866,137, and £1.272m when compared to the 2023/24 original estimates. The increase in investment returns is mainly due to the Bank Rate being held at 5.25% for longer than expected in 2023/24.

1.6.4 Income and expenditure attributed to the Treasury Management function for 2023/24 is provided at **[Annex 5]**. This shows the aggregate staff resource applied to treasury management remains 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 continuing domestic pressures including a tight labour market putting upward pressure on wages, and the continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine, Bank Rate continues to hold at 5.25%. The expectation for a 0.25% rate cut is oscillating between August and September with a further cut in December 2024.
- 1.8.2 Link's current forecast (updated May 2024) anticipates Bank Rate will reduce to 5.0% by September 2024 and steadily reduce to 3.0% by September 2026. The Bank Rate downward trajectory will be reflected in the market rates available to invest surplus cash, giving rise to a reduction in investment income going forward.
- 1.8.3 Investment income at the end of May 2024 (month two of the financial year) from cash flow surpluses and core cash investments is a favourable variance of £142,800 to the budget for the same period. Income from property funds at the end of May is in line with the budget and diversified income funds are exceeding the budget by some £8,360 for the same period. Investment income for the financial year as a whole from these sources is expected to outperform the original budget and will be reviewed at revised estimates.
- 1.8.4 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.
- 1.8.5 Whilst the annual income stream from a property fund exhibits stability (circa 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.
- 1.8.6 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped over time through capital appreciation.
- 1.8.7 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.

1.8.8 The Lothbury Property Trust termination is expected to give rise to losses within the fund and capital investment will be distributed as and when the sales of assets take place. This could lead to a protracted winding up period of the fund to ensure best price is secured, and may not reflect the expected return based on April 2024 Net Asset Value. Dividends will continue to be paid out to shareholders while assets remain income generating.

1.8.9 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. LAPF (Local Authority Property Fund) held a session for Members on 24 July 2023, providing an investment portfolio update on the fund.

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 May 2024.
- 2) Note the 2023/24 outturn position.

Background papers:

contact: Donna Riley

Link interest rate forecast (May 2024)

Link benchmarking data (March 2024)

Sharon Shelton

Director of Finance and Transformation

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Tonbridge and Malling Borough Council - Investment summary 31 May 2024

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	6 months	23/07/2019	TBD	95 Days	3,000,000	5.30	5.21%				
Close Brothers : Fixed Term Deposit	UK	BBB+	F2	N/A	27/02/2024	27/11/2024	6 Months	3,000,000	5.35	5.21%			3,000,000	
Handelbanken : Fixed term deposit	UK	AA	F1+	1 year	17/01/2024	17/01/2025	1 Year	3,000,000	4.70	5.21%			3,000,000	
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	3,000,000	5.25	5.21%	3,000,000			
Lloyds Bank : Certificate of Deposit	UK	A+	F1	6 months	12/07/2023	11/07/2024	1 Year	3,000,000	6.75	10.41%			3,000,000	
National Westminster Bank : Certificate of Deposit	UK	A+	F1	1 year	15/11/2023	14/11/2024	1 Year	3,000,000	5.66				3,000,000	
National Westminster Bank : Deposit account	UK	A+	F1	1 year	31/05/2024	03/06/2024	Overnight	50,000	3.25	5.29%	50,000			
Rabobank : Certificate of Deposit	Netherlands	A+	F1	1 year	06/02/2024	06/08/2024	6 months	3,000,000	5.31				3,000,000	
Rabobank : Certificate of Deposit	Netherlands	A+	F1	1 year	15/09/2023	17/06/2024	9 Months	3,000,000	5.88	10.41%			3,000,000	
Rabobank : Certificate of Deposit	Netherlands	A+	F1	1 year	03/11/2023	01/11/2024	12 months	3,000,000	5.62				3,000,000	
Toronto Dominion Bank : Certificate of Deposit	Canada	AA-	F1+	1 year	06/10/2023	04/10/2024	1 year	3,000,000	5.89	10.41%			3,000,000	
Toronto Dominion Bank : Certificate of Deposit	Canada	AA-	F1+	1 year	20/12/2023	19/12/2024	1 year	3,000,000	5.23				3,000,000	
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/05/2024	03/06/2024	Overnight	0	5.19		-			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/05/2024	03/06/2024	Overnight	8,000,000	5.25	13.88%	8,000,000			
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	31/05/2024	03/06/2024	Overnight	0	5.22		-			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	31/05/2024	03/06/2024	Overnight	0	5.21		-			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	31/05/2024	03/06/2024	Overnight	7,331,000	5.26	12.72%	7,331,000			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	31/05/2024	03/06/2024	Overnight	0	5.18		-			
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	3.54	1.74%				1,000,000
Local Authorities' Property Fund : Property fund units	N/A	N/A	N/A	N/A	29/06/2017	N/A	N/A	1,000,000	4.13	3.47%				1,000,000
Local Authorities' Property Fund : Property fund units	N/A	N/A	N/A	N/A	30/05/2018	N/A	N/A	1,000,000	5.14					1,000,000
Lothbury Property Trust : Property fund units	N/A	N/A	N/A	N/A	06/07/2017	N/A	N/A	1,000,000	2.89	3.47%				1,000,000
Lothbury Property Trust : Property fund units	N/A	N/A	N/A	N/A	02/07/2018	N/A	N/A	1,000,000	2.89					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		3.04%				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		1.74%				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		2.60%				1,500,000
Total invested								57,631,000		100.00%	18,381,000	30,000,000	4,250,000	5,000,000

Number of investments	26	Average investment value £ 2,217,000			
Number of counter parties	20	Average counter party investment £ 2,882,000			
Group exposures:		Core £	Cash £	Combined £	%
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		3,000,000	50,000	3,050,000	5.29
Bank of Scotland + Lloyds (MAX 20%)		6,000,000	-	6,000,000	10.41
Property Funds Total				5,000,000	8.68
Multi Asset Funds Total				4,250,000	7.37

Total non-specified investments should be less than 60% of Investment balances 16.05%

Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update December 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 31/05/24 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	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	BBB+	F2	Exempt	£7m	N/A	N/A
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	100 days	100 days
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
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	AA-	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
31 May 2024

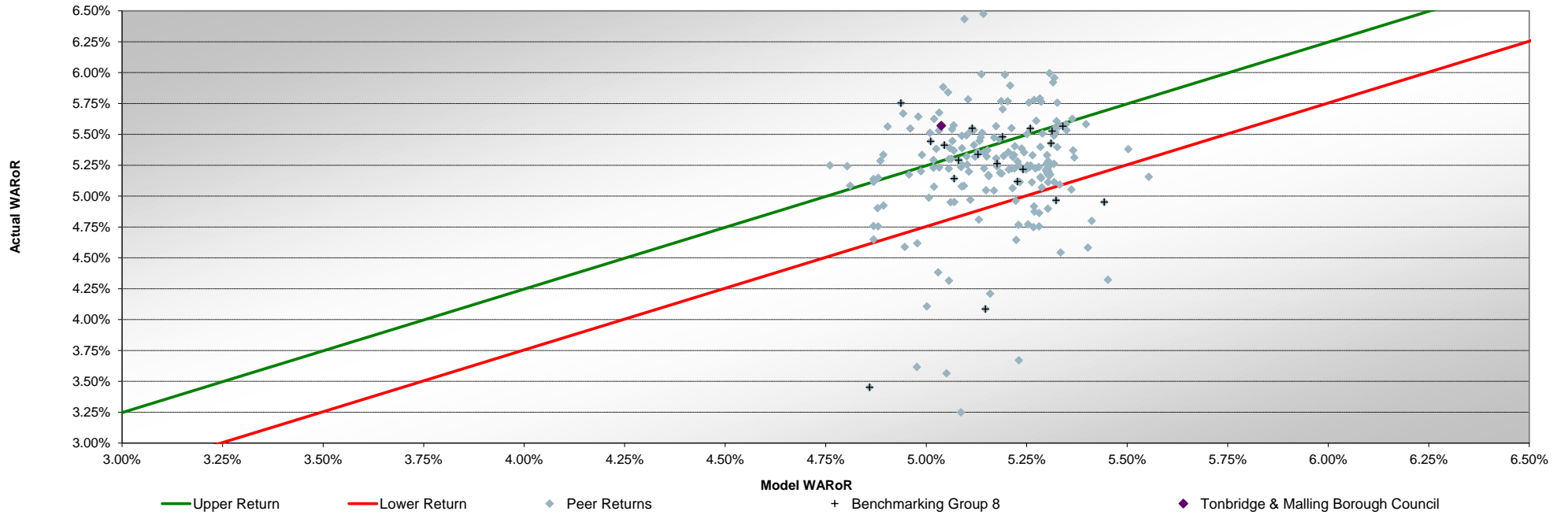
Australia and New Zealand Banking Group Ltd Fitch long term and short term ratings increased from A+ to AA- and from F1 to F1+. Toronto Dominion's long term rating outlook has changed from Stable to Negative. Suggested duration stays unchanged.

Note: Australia & New Zealand Banking Group added 17/05/2023
Note: Close Brothers removed from Link's Suggested Credit List 12/02/2024. Although removed, Link have stated that the Fitch long term rating change from A- to BBB+ would have no impact on the bank's suggested duration and would remain at 6 months.

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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	5.57%	5.04%	0.53%	4.79%	5.28%	Above

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Tonbridge and Malling Borough Council

Treasury Management Annual Report 2023/24

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 2023/24. 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 2023/24 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 treasury update report.
- 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 2023/24 financial year. Treasury performance is also included in the Financial Planning and Control reports to Cabinet and/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, therefore, 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 the Full Council. Member training on treasury management issues was undertaken during the year on the 19 June 2023 in order to support members' scrutiny role.

1.2 Treasury Position 31 March 2024

1.2.1 At the beginning and the end of 2023/24 the Council's debt and investment position was as follows:

	31 March 2023	Rate / Return	Average duration	31 March 2024	Rate / Return	Average duration
	£m	%	Days	£m	%	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	23.0	4.49	147	32.0	5.39	158
Variable rate investments:						
Cash flow surpluses	19.6	4.15	10	10.9	5.51	9
Core cash	3.0	4.30	95	3.0	5.25	95
Sub-total	45.6	4.33	85	45.9	5.40	122
Medium term investments:						
Multi-Asset Income Funds	4.3	4.10	-	4.3	4.94	-
Long term investments:						
Property Funds	5.0	3.44	-	5.0	3.59	-
Total investments	54.9	2.60	-	55.2	5.28	-

Table 1

1.2.2 There has been an upward movement in year due to reduction in Short Term Creditors including Government Grants received in advance being paid during 2023/24, which has been offset by the increase in Grants and Contributions in advance held in Long Term Liabilities.

1.3 The Strategy for 2023/24

1.3.1 The treasury management strategy for 2023/24 was based on the November 2022 forecast and assumed bank rates would increase to 4.50% in the short term and drop back to 2.50% in 2025/26. In actuality, interest rates peaked at 5.25% and remain elevated due to a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine. Bank Rate is expected to remain at 5.25% in early 2024/25 before dropping back in late 2024 by 0.25%.

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 prudent approach to investing surplus monies, 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 Global Financial Crisis of 2008/09. 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 stressed market and economic conditions.

1.4 **Investment Rates in 2023/24**

1.4.1 Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

1.4.2 Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in either June or August 2024.

1.4.3 The upward sloping yield curve that prevailed throughout 2023/24 meant that the Council continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

1.4.4 With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.

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

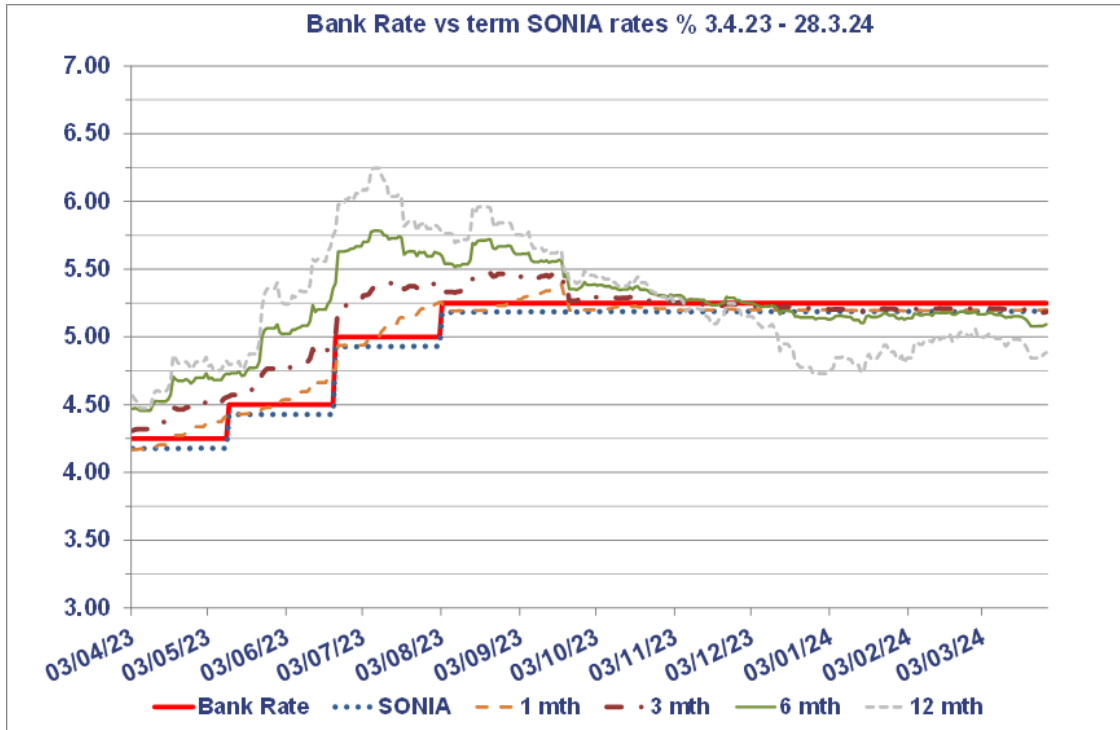


Table 2

1.5 Investment Outturn for 2023/24

- 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 2023/24 Annual Investment Strategy was approved by Council in February 2023 and was subjected to a mid-year review in September 2023. 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 2023/24 cash flow surpluses averaged £28.4m and earned an average rate of return of 5.51%. The benchmark used to compare performance was 5.19%. 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 2023/24 core cash averaged £30.40m and earned an average rate of return of 5.39%. The benchmark used to compare performance was 5.20%. 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 2023/24 the investment in multi asset funds generated dividends of £209,765 which represents an annualised return of 4.94%.
- 1.5.7 As at 31 March 2024, the capital investment has depreciated in value by £488,046, an improved position from the prior year of £62,058. The value of multi asset diversified income funds at 31 March stood at £3.76m. Members are reminded that our multi 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 2023/24 investment in property funds generated dividends of £179,357 which represents an annualised return of 3.59%.
- 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	Purchase price	Sale value at date of purchase	Sale value March 2024	March sale value above (below) purchase price
(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)	(c-a)
	£	£	£	£
LAPF (Primary, July 2017)	1,000,000	922,200	879,151	(120,849)
Lothbury (Primary, July 2017)	1,000,000	927,700	720,668	(279,332)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	891,563	(108,437)
LAPF (Primary, June 2018)	1,000,000	922,200	842,929	(157,071)
Lothbury (Secondary, July 2018)	1,000,000	973,000	706,775	(293,225)
Total	5,000,000	4,684,100	4,041,086	(958,914)

Table 3

1.5.13 As at 31 March 2024, the capital investment has depreciated in value by £958,914. 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 2023/24 is summarised in the table below:

	2023/24 Average balance £ m	Return %	2023/24 Interest/ dividends earned £	2023/24 Revised Estimate £	Variance Better (worse) £
Cash flow surplus	13.9	5.51	1,565,433	1,277,000	288,433
Core cash	32.0	5.39	1,641,582	1,103,000	538,582
Medium term investment	4.3	4.94	209,765	175,000	34,765
Long term investment	5.0	3.59	179,357	175,000	4,357
Total	55.2	5.28	3,596,137	2,730,000	866,137

Table 4

1.5.15 The overall performance of the Authority's investments bettered the revised estimates by £866,137 (£1,272,000 when compared to the 2023/24 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 2023 to March 2024 the requirements set out in the Annual Investment Strategy for 2023/24, as approved by Council in February 2023, were complied with. No liquidity issues were experienced resulting in nil borrowing throughout 2023/24.

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
June 2024

Prudential and Treasury Indicators

1 Prudential Indicators	2022/23 Actual £'000	2023/24 Original £'000	2023/24 Actual £'000
Capital expenditure	2,496	6,851	1,070
Ratio of financing costs to net revenue stream	-23.95%	-63.25%	-9.83%
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	£0.06	£0.06	£0.06

2 Treasury Management Indicators	2022/23 Actual £'000	2023/24 Original £'000	2023/24 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	19,620 (35.5%)	40 – 100%	10,916 (19.50%)
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 2023/24	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

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Extract from Revenue & Capital Outturn Booklet presented to Cabinet - 8 July 2024. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	ORIGINAL ESTIMATE £	2023/24 REVISED ESTIMATE £	PROVISIONAL OUTTURN £
4 <u>TREASURY MANAGEMENT & BANKING ARRANGEMENTS</u>			
Employees			
Salaries	33,500	32,650	30,268
Supplies & Services			
Treasury Advisor & Dealing Fees	12,100	17,000	17,323
	<hr/>	<hr/>	<hr/>
	45,600	49,650	47,591
Less Income			
Interest on:			
Cash Flow Investments	(526,000)	(1,277,000) a)	(1,565,433) b)
Core Cash Investments	(599,000)	(1,103,000) a)	(1,641,582) b)
Property Fund Investments	(180,000)	(175,000)	(179,357)
Multi Asset Income Fund Investments	(153,000)	(175,000)	(209,765) c)
Other Miscellaneous Interest	-	(29,400)	(29,397)
	<hr/>	<hr/>	<hr/>
	(1,458,000)	(2,759,400)	(3,625,534)
	<hr/>	<hr/>	<hr/>
<u>Sub-total</u>	(1,412,400)	(2,709,750)	(3,577,943)
Central, Departmental & Technical Support Services			
Central Salaries & Administration	11,950	12,350	12,215
Information Technology Expenses	900	1,350	1,028
Departmental Administrative Expenses	17,950	25,400	25,593
	<hr/>	<hr/>	<hr/>
<u>TO SUMMARY</u>	(1,381,600)	(2,670,650)	(3,539,107)
	<hr/>	<hr/>	<hr/>
Full Time Equivalent Number of Staff (including Support Service Staff)	0.91	0.91	

- 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.

Notes relate to changes between 2023/24 original and revised estimates reported to Audit Committee January 2024 and have been added to the outturn presentation to aid understanding.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet

1 RISK MANAGEMENT

The report provides an update on the risk management process and the Strategic Risk Register.

1.1 Introduction

- 1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 1.1.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 20 February 2024.

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 executive summary of the **RED** risks has been provided at **[Annex 1]** and a full update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1a]**.
- 1.3.2 As part of the Zurich review Officers have reviewed the scoring on all of the risks identified in order to ensure that the scoring reflects the current position of the risk considered.
- 1.3.3 For completeness the risks that were categorised as **RED** at the time of the April meeting is given below.
- 1) Savings and Transformation Strategy
 - 2) Local Plan
 - 3) Implementation of the Agile software system
 - 4) Procurement
- 1.3.4 Following the detailed training the Committee received earlier in the year, together with the recommendations made by the risk consultant from Zurich, Management Team has commenced a review of all the risks contained within the Strategic Risk Register **with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one to two year horizon.**
- 1.3.5 A number of changes have been made to the current Register, including the deletion of some risks that are no longer felt to be strategic risks and the titles of some of the risks. Those risks being deleted are:
- Corporate Strategy

- IT Infrastructure
- Compliance with legislation
- Devolution
- Elections
- Partnerships incl shared services
- Flooding

1.3.6 Any of these items can of course be added back to the register by Management Team if the position changes. In total, there are now 17 strategic risks on the register.

1.3.7 Members will note from the notes in **red font** on the Register identifying current mitigations and updates to the strategic risks. In terms of '*direction of travel*' there has been no significant movement in the risks.

1.3.8 The **RED** risks at the time of publishing this report are:

- 1) Achievement of Savings and Transformation Strategy
- 2) Failure to agree a Local Plan
- 3) Implementation of the Agile software system
- 4) Contract/Contractor Procurement

1.3.9 At the last meeting, the Senior Responsible Officer for the *Agile* project attended the meeting in order to update the Committee on the management of this risk, which remains **RED**. If Members wish to seek further detail about any risk, Management Team can arrange for an appropriate 'lead' risk owner to attend a meeting of the Audit Committee.

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 January 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 A specific item for 'Risk Management' appears on all Management Team and Service Management Team agendas.

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
- 1) **NOTE** the review undertaken by Management Team in streamlining the Strategic Risk Register; and
 - 2) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED.

Background papers:

Nil

contact: Sharon Shelton
Paul Worden

Sharon Shelton

Director of Finance and Transformation on behalf of the Management Team

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No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	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
		F, R, S	Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.		4	4	16	<p>for Corporate priorities. STS statement reported to Members in Feb 24</p> <p>MTFS and STS updated and approved by Council in Feb 2024. Funding gap estimated to be £1.7m.</p> <p>Take all opportunities to maximise income receipts</p> <p>Withdrawal of Bring Recycling Bank Sites from April 2024 and changes to parking charges agreed. Grounds Maintenance tender outcome was positive.</p>	3	3	9	<p>made in order to ensure that by the end of MTFS we have a balanced budget again. Since Budget was set, contributions to the funding gap have been approved. These are: bring sites, parking charges and letting of Grounds Maintenance contract. However, there are growth demands which are counterbalancing this. Constant monitoring and identification of options for delivery of savings is needed by Members and officers. The outcome of the General Election could have an impact on the financial picture for the Council, either adversely or positively. It will be some time before we know how this will impact.</p>				
6	Failure to agree 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.	4/1/2017, reviewed and updated March 24	4	4	16	<p>Members are updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee</p> <p>Reg 18 concluded in late 2022</p> <p>Revised LDS adopted summer 2023</p> <p>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 requirements 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 PI by 30th June 2025. The Council has recently engaged Towers and Hamlins Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan. The Planning Policy Manager position is now filled.</p> <p>Proposed informal engagement with members on emerging spatial strategy in Autumn 2023</p> <p>Current Risk score to remain until conclusion of Regulation 19 consultation.</p>	3	3	9	<p>Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning</p> <p>Ongoing engagement with Counsel</p> <p>Ongoing engagement with Members</p> <p>Regular analysis of budget position and priority given to finding a permanent Planning Policy Manager. Regular review of hours of Interim Planning Policy Manager to ensure capacity is available within the team.</p> <p>Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.</p>	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		Aug-24
14	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system. Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping	01/11/2022	5	3	15	<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>Regular updates for 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> <p>Post-implementation review of APAS implementation being carried out by internal Audit</p> <p>Agreement to deliver enhancement project in Q1/Q2 of 24/25 financial year</p> <p>APAS (Planning) Module now live. Placis Module currently in implementation phase</p>	2	2	4	<p>Further escalation of issues to Agile CEO</p> <p>At least 2 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September</p> <p>PLACIS delivery plan updated by Agile following review of data migration approach</p> <p>Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT and informal Cabinet on a regular basis</p> <p>Review of project governance and use of Project Board for escalation of issues</p> <p>Completion of all modules for go live</p>	Digital Strategy	Director of Planning, Housing and Environmental Health		Aug-24
17	Contract/Contractor Procurement		Failure to appoint suitably experienced and qualified contractors leading to poor quality of service, reputational damage and increased costs to the Council.	01/02/2024				<p>Compliance with Council's adopted Procurement Rules and Strategy.</p> <p>Consultation undertaken with Property and Legal Services to ensure appropriate Lease/License/Contract arrangements are in place.</p> <p>Procedure adopted and monitored for the engagement of contractors setting out and seeking minimal requirements including Risk Assessment and Public Liability.</p>				<p>Corporate Procurement Rules & Strategy being addressed by Corporate Procurement Group as currently out of date. Now being reviewed and updated following appointment of Mid Kent Partnership</p> <p>Corporate Procurement Group addressing adequacy of corporate procurement support.</p>	Procurement Strategy. Compliance with legislation. Health and Safety.	Director of Street Scene, Leisure & Technical Services		Sep-24

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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		F, R			4	4	16	Establishment of cross-departmental working groups for key contracts and projects. Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit. Directorate representatives on the Council's Procurement OSG. Use of external specialist consultant (Dartford Borough Council) in the administration of contract procurement. Use of specialist advisors on major contracts. Contracts to include break clause and/or extension periods based on performance. Contracts to include break clause and/or extension periods based on performance. Use of contract frameworks where appropriate. Risk assessment approach to appointment of contractors. Risk assessment approach to appointment of contractors.	1	3	3	Cabinet 2 April for procurement resources through Mid Kent Partnership agreed				

Chief Executive
Central Service
Finance and Transformation
Planning, Housing and Environmental Health
Street Scene, Leisure and Technical Services
Elections

reviewed 03/06/24 AS
reviewed 03/06/24 AS - TTC added 13/06/24 SE
reviewed 12/6 SS
reviewed 19/06/24 EH
reviewed 03/06/24 AS

reviewed 03/06/24 AS
reviewed 03/06/24 AS - TTC added 13/06/24 SE
reviewed 12/6 SS
reviewed 19/06/24 EH
reviewed 03/06/24 AS



Direction of Travel key



Downward or positive movement



No change in movement



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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 are in place with adequate staff resource to ensure safeguarding procedures are consistently being followed.	01/04/2017	3	4	12	<p>The overall responsibility for safeguarding lies with the Chief Executive, rather than individual services.</p> <p>The Council has undertaken the following actions to mitigate risk</p> <ul style="list-style-type: none"> Carried out audit review of procedures to identify and address weaknesses Provided training to all licenced Dual, Hackney Carriage and Private Hire Drivers Provides a secure database for the recording and sharing of safeguarding concerns. Officer Study Group with safeguarding champions across services who are able to provide advise and support regarding safeguarding issues Management Team have approved the recruitment of a dedicated safeguarding officer (October 2023). Included in the service aspirations list for consideration by Members. Training provided to staff 	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings.</p> <p>Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.</p> <p>Consideration for additional resourcing (supported by Management Team in October 2023).</p>	Safeguarding Policy	Chief Executive	↔	Sep-24
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 and/or s114 notice.</p> <p>This includes</p> <ul style="list-style-type: none"> Failure to maximise New Homes Bonus (for as long as it exists). Assessment of the current economic implications of higher inflation and interest rates Failure to deliver identified savings / Additional income 	01/04/2017	3	4	12	<p>The Council provides an annual statement (as a minimum) on the following areas:</p> <ul style="list-style-type: none"> Treasury Management and Investment Strategy. Robustness of estimates and adequacy of reserves (s25 statement) Medium Term Financial Strategy (MTFS) Savings and Transformation Strategy (STS) <p>Statement of Accounts containing Audit and Value for Money Opinion. 2023/24 accounts closed in accordance with statutory requirements, and a positive position noted.</p> <p>Growth in business rate income above baseline is assisting overall financial position in current year 24/25 .</p> <p>The Council also considers it has the following</p> <ul style="list-style-type: none"> Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool. <p>Regular reviews undertaken on the forecast of the Local Government Settlement.</p> <p>2023/24 outturn was positive, mainly due to continued high interest rates. This has enabled some additional funds for reserves serving important priorities, but cannot provide a long term solution.</p> <p>Minimum level of General Revenue Reserve maintained at £3m. In addition, a Budget Stabilisation Reserve is held.</p> <p>Current financial position within MTFS shows balanced budget for final year. This is after allowing for assumptions made on long term resourcing issues covering Fair Funding, Business Rates reset and allows for increased contract costs on major council contracts.</p>	3	3	9	<p>The 2024/25 Budget is balanced with contribution to General Revenue Reserve, as well as significant contributions to Earmarked Reserves in order to support Corporate priorities. Council tax increase of 3% approved for 2024/25. Members need to monitor budget carefully during year</p> <p>It is expected that once the Fair Funding Review has been undertaken, the position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again. Outcome of General Election and any national priorities and actions need to be carefully tracked.</p> <p>Ensure that Business Rate income is maximised for benefit of TMBC prior to any Reset by any incoming Government (expected post 25/26)</p> <p>Maximise receipts through business rates via pooling and prior to any business rates reset</p> <p>Await and assess the outcome of the Government's consultation and review of New Homes Bonus. This was anticipated Spring 2023, but was not forthcoming. Outcome of general election could impact this.</p> <p>Three key financial risks were highlighted to Members: namely Waste (including the proposed Extended Producer Responsibility scheme which has been delayed) , Homelessness and Local Plan. All three have significant financial implications for the Council in different ways and need to be continually assessed and managed.</p> <p>MT and Cabinet continuing to work with LGA to consider the best way of delivering transformation which could also to assist with identification and delivery of efficiencies</p> <p>Savings, contained with MTFS and Saving and Transformation Strategy , must be achieved in a timely manner in order to ensure that MTFS targets maintained. Recent decisions taken removing bring banks, parking charges and grounds maintenance contract have assisted in bridging the funding gap. However, there are growth demands (GP Committee reports refer) which counterbalance some of the progress. Further reports will be brought forward as options are assessed.</p>	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Director of Finance and Transformation	↔	Sep-24



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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. inflation coupled with higher interest rates than have been seen for a number of years likely to have wider impact on community and businesses. The Council's own collection of council tax and business rates could be affected	01/04/2017	3	4	12	Kent-wide working to understand, plan for and react to pressures. Partnership working with KCC on household support fund for benefit of residents. Regular review of; MTFS reflecting economic factors Treasury Management and Investment strategies. Collection performance for council tax and business rates monitored All staff equipped to be able to work from home and deliver public services and arrangements set out in adopted working policy Inflation falling, with May CPI now at BoE target level of 2%. Bank of England interest rate however still remains at 5.25% GP Committee approved additional part time resource in Revenue and Benefits team to assist with recovery of council tax and business rates	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. Work with KCC to roll out tranche 5 of Household Support Fund. Cabinet to consider and approve delivery of HSF5 on 8 July Continued focus on homelessness prevention work. Consultants recommendations on how to improve/maintain position received Jan 2024. Assessment of options for new TA accommodation underway following report to H&PSSC. Ensure delivery of accommodation with funding set aside in earmarked reserve	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Sep-24
4	Performance Management	F,R,S	Without an effective performance management framework in place, the authority will not be able to understand any required improvements or achieve value for money.	30/08/2023 (separated from Corporate Plan)	3	3	9	As mentioned above, with the adoption of the new Corporate Strategy, the authority has also set in place new aligned KPIs to monitor progress, and provide detail on direction of travel, and targets. Further work has been undertaken on benchmarking following the purchase of LGInform Plus and also on instilling the KPIs within the culture of the organisation. At present the KPIs are initially discussed at SMTs, before being presented to Management Team and Informal Cabinet before being shared with the Scrutiny Select Committees, O&S and Cabinet on a quarterly basis. An internal audit review of performance management was undertaken from November 2023 - March 2024, finding substantial assurance with very good prospects for improvement.	2	3	6	The main action arising from the internal audit is ensuring greater engagement from Members and embedding the KPIs within the culture of the organisation - additional work on benchmarking and presenting the data in reports has been undertaken to improve engagement.	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	Chief Executive/ Management Team	↔	Sep-24
5	Achievement of Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings. 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 The 24/25 Budget is balanced with contribution to General Revenue Reserve and significant contributions to Earmarked Reserves for Corporate priorities. s25 statement reported to Members in Feb 24 MTFS and STS updated and approved by Council in Feb 2024. Funding gap estimated to be £1.7m. Take all opportunities to maximise income receipts Withdrawal of Bring Recycling Bank Sites from April 2024 and changes to parking charges agreed. Grounds Maintenance tender outcome was positive.	3	3	9	It is expected that after 24/25 once the Fair Funding Review has been undertaken subject to the outcome of the General Election, the budget position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again. Since Budget was set, contributions to the funding gap have been approved. These are: bring sites, parking charges and letting of Grounds Maintenance contract. However, there are growth demands which are counterbalancing this. Constant monitoring and identification of options for delivery of savings is needed by Members and officers. The outcome of the General Election could have an impact on the financial picture for the Council, either adversely or positively. It will be some time before we know how this will impact.	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Sep-24

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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6	Failure to agree 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.	4/1/2017, reviewed and updated March 24	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 Revised LDS adopted summer 2023 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 requirements 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 PI by 30th June 2025. The Council has recently engaged Towers and Hamlin Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan. The Planning Policy Manager position is now filled. Proposed informal engagement with members on emerging spatial strategy in Autumn 2023 Current Risk score to remain until conclusion of Regulation 19 consultation.	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 and priority given to finding a permanent Planning Policy Manager. Regular review of hours of Interim Planning Policy Manager to ensure capacity is available within the team. 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	↔	Aug-24
7	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	3	4	12	Review of staff resources and skills via service reviews. Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities. 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. Wider market supplement policy approved by General Purposes committee in October 2023. Specific workstream on Building Control due to Building Safety Act requirements for all surveyors to be recertified - looking at different certification routes and HR processes for 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 October 2023 re hard to recruit to posts Pay award for 2024/25 5% or £1,900 (whichever is higher) for all staff, from April 2024. GP Committee approved one-off reward payment to all staff of £150 at June Committee Structural reviews approved by Members on an ongoing basis. HR staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT. Workforce Strategy approved by General Purposes Committee in June 2022 Ongoing workstream on Building Control	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Sep-24

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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8	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	↔	Ongoing
9	Cyber Security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017	3	4	12	The Council has; Information Security Policy deployed via Policy Management System. Implemented network security measures including access controls. Considered cyber insurance. Established an Information Governance Group. Appointed a Member Cyber Champion. Rolled out Cyber awareness training to all staff and Members via eLearning. Deployed 'Next generation' Palo Alto firewall technology for improved visibility and control. Deployed software solution to identify potential confidential data held on file servers. Implemented secure email in accordance with NCSC guidelines. Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary. Implemented Solarwinds Security Event Manager. 1 member of IT team obtained Certified Information Systems Security Professional (CISSP) qualification October 2020. Implemented cloud backup and DR facilities to improve resilience; and embedded cyber security into DR and BCP processes. Continued to monitor Cybersecurity alerts via LGA Cyber Security email; through membership of IANAWAPP and CSPO and other bodies. Cloud based web and email filtering has been deployed to improve availability and resilience. Completed firewall ruleset review following migration to Cloud to ensure our configuration is in line with best practice guidelines. Carried out phishing simulation exercises for 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. Developed and deployed wallpaper/ lock screen to all TMBC laptops and PCs, with cyber security reminder to further reduce risk by increasing awareness. Head of IT appointed Senior Information Risk Owner (SIRO) from October 22. This role has responsibility for information and data risk and protection. Obtained Cyber Essentials accreditation in November 2022, demonstrating that our technical controls are designed to defend against the most common cyber threats.	3	3	9	The Council has; Prioritised the resources (both financial and staff) to ensure relevant updates and security mitigations are carried out in a timely manner. Scheduled annual IT Health Check (ITHC), quarterly PCI scans, and monthly vulnerability scans, feeding into remediation plans. July 2022 PCI scan passed. Investigating and resolving detected security issues from last ITHC 8/8/22 - 12/8/22. New ITHC completed August 2023, including the TMBC Microsoft 365 environment, report pending. 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. Procured NCSC approved cyber security training for staff and members, deployed during 2023. As at June 2024, All staff, with exception of new starters have completed Cyber Training, As at June 2024 only 11 Members have completed the training, a further 16 have started but have yet to complete leaving 17 members yet to start. Phishing simulations are carried out on an ad-hoc basis, without prior notification, to check effectiveness of training, and as regular assurance of staff and member awareness. We are currently working towards meeting the requirements for resubmission for Cyber Essentials accreditation. Submission is pending removal of legacy software associated with the IDOX DMS and Uniform systems. Cyber Essentials accreditation passed 07/05/2024. Cyber Essentials plus to take place 18th July 2024 Enrolment and management of devices in Intune is now live. It has replaced SCCM for deployment of all line of business apps to PCs and laptops, and Microsoft Defender for Endpoint is being used to leverage additional security features including	IT Strategy	Director of Finance and Transformation	↔	Sep-24

Direction of Travel key



Downward or positive movement



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	Cyber Security. Continued							<p>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> <p>An in-depth phishing training package, to highlight specific risks and increase staff awareness, was deployed to all staff and followed up by phishing simulations to check effectiveness of training.</p>				<p>network blocking when malware is detected. Enforcement of encryption as a potential replacement for Checkpoint is under test.</p> <p>Test restore to sandbox environment carried out November 2023 to validate our ability to recover successfully from a cyber incident. Areas for improvement identified, documentation of process underway and training for all technical support staff planned for Q2 2024/25.</p> <p>Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>Investigating Microsoft Defender for Cloud to further enhance security of the Council's Azure IaaS infrastructure.</p> <p>PCI DSS accreditation is pending implementation of Smartpay 6 - Completed Pending update of Jadu servers due to be completed June 2024.</p> <p>Investigating preventative analysis, monitoring and remediation of suspected malicious network activity and NCSC approved cyber incident response retainer services to allow on hand cyber experts to assist with any Cyber Incident that may occur.</p> <p>Investigating and working towards the new government framework Cloud Assessment Framework (CAF) to ensure critical systems are documented and robust.</p>				
10	Business Continuity and Emergency Planning (incl Civil Contingencies)	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, fire or flood	updated January	3	4	12	<p>The Council has in place:</p> <ul style="list-style-type: none"> 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 Flood Risk Assessments along with Support from Parishes with Flood Wardens EA support for expansion of Leigh Storage Area and works to Medway River Wall 	3	4	12	<p>Emergency planning documentation undergoing constant review and key aspects exercised .</p> <p>Increase % of staff trained in roles identified in the Emergency Plan</p> <p>Training organised by Kent Resilience Team . Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise.</p> <p>Duty Officer rota in place to support Duty Emergency Coordinators out of hours. All staff fully trained before commencing duties.</p> <p>Out of Hours Manual reviewed and regularly updated.</p> <p>DSSLTS sits on Kent Resilience Forum Strategic Board.</p> <p>Actions taken in response to the Covid 19 pandemic will be reviewed and lessons learnt for the future. Any approved changes will be reflected in the Corporate Business Continuity Plan. Business Continuity Group including all members of Management Team meets twice weekly to oversee and coordinate response to pandemic.</p> <p>Annual Emergency planning review to be reported to Management Team.</p> <p>Pandemic response dealt with as emergency through Kent Resilience Forum. Reports regularly presented to Cabinet. More detailed reports covering Review Reorientation and Recovery presented to relevant Advisory Boards.</p> <p>Recruitment into roles in the Emergency Plan is ongoing. Emergency Planning Officer's hours increased to full time during pandemic.</p> <p>Virtual Emergency Management systems are being developed to allow a virtualised Emergency Control Room and data handling.</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>Possible partnership working with EA in improving flood resilience in Wouldham linked to the replacement of the river wall.</p>	Business continuity underpins the delivery of the Council's essential services and is a core of the authorities risk management	Director of Street Scene, Leisure & Technical Services		Sep-24



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	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
11	Housing need, Homelessness and Welfare Reform	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 .</p> <p>Current economic situation has implications for residents and businesses</p> <p>Ukrainian refugee temporary resettlement program - We are awaiting full guidance on Local Authority responsibilities. Kent Resilience Forum are acting as lead.</p>	01/04/2017	4	3	12	<p>Cross sector working (e.g. welfare reform group) to identify issues and solution. New partners joining group</p> <p>Providing advice to residents on welfare and housing issues, or signposting to relevant providers. Council has joined the ReferKent network</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. Report to H&PSSC March 24 recommended fixed term post of Empty Homes Officer to assist. Council in February 24 agreed empty homes premium and second homes premium.</p> <p>Work with consultancy firm Altair on options for longer term TA provision -consideration now being given to delivery following report to Members and allocation of £1.3m through 24/25 budget</p> <p>commissioned consultancy work in respect of Homelessness function (TA). Recommendations being implemented</p> <p>Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports.</p> <p>Signposting now to UC rather than HB for new working age claimants. Keeping track of welfare statistics</p> <p>CTR Scheme approved for 24/25 .</p> <p>Working with KCC on tranche 5 of Household Support Fund</p> <p>New housing panel in place to work alongside RPs in considering best use of available properties.</p> <p>Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers.</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>Consideration by Members of report from Altair on options for TA provision (Dec 23)</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>Continued focus on homelessness prevention</p> <p>Consideration of use of DHP to encourage downsizing to free up under occupied property. Report to be brought forward to Members in due course</p> <p>Focus on Empty properties in the Borough and how they can be brought back into use. Report to Cabinet April 2024</p> <p>Deliver District responsibilities of Ukrainian resettlement scheme.</p> <p>Work with KCC to deliver Household Support Fund 5</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 Planning, Housing and Environmental Health/ Director of Finance & Transformation	↔	Sep-24
12	Political factors including stability of political leadership and decision making	F, R	<p>Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.</p>	01/04/2017	3	4	12	<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> <p>Regular Group Leader meetings in place and stability of leadership following election. Regular pattern of informal MT/Cabinet meetings to provide stability and cohesiveness</p>	3	3	9	<p>Member briefings and training sessions.</p> <p>Training for Officers has been arranged for September 2023 by the LGA - 'working in a no overall control council'</p> <p>Top Team awayday between Cabinet and MT took place in December 2023. Actions arising from that awayday are being implemented</p> <p>Induction training to be delivered for new Councillor following by-election 4 July</p>	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	↔	Sep-24
13	Homes for Ukraine Scheme	F, R, S	<p>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 approach the 2 year mark (and the end of thank you payments to hosts). There is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to 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.</p>	01/09/2022	3	4	12	<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> <p>Funding being rolled over to 2024/25 with around 40 families/individuals remaining with host families.</p>	3	4	12	<p>Additional support into Private Rented Sector required. Full time Resettlement Worker has been in post for some time.</p>		Chief Executive	↔	Nov-24

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 (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	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
14	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system. Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping	01/11/2022	5	3	15	Programme of liaison meetings with Agile in place including Board and weekly catch ups Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues Regular updates for CM for Finance & Housing, who is the Cabinet Lead for Agile. Internal meetings with staff, managed by Business Change Project Manager Issues log in use Issues escalated to Agile management Post-implementation review of APAS implementation being carried out by internal Audit Agreement to deliver enhancement project in Q1/Q2 of 24/25 financial year APAS (Planning) Module now live. Placis Module currently in implementation phase	2	2	4	Further escalation of issues to Agile CEO At least 2 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September PLACIS delivery plan updated by Agile following review of data migration approach Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT and informal Cabinet on a regular basis Review of project governance and use of Project Board for escalation of issues Completion of all modules for go live	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	Aug-24
15	Carbon Neutral 2030 Aspiration	F, R, S	Significant reputational risk, particularly if other similar councils have achieved similar goals or targets. Significant financial cost to purchasing offsets to meet carbon neutral. High cost of increased frequency and intensity of extreme events (floods, heat waves) that increase costs and disrupt service delivery.	01/09/2023	3	3	9	Development of climate evidence (e.g. for the Local Plan), partnerships (residents, community and other Councils) and pathway analysis to support move towards transformative and larger-scale emissions reductions Increased contributions to Climate Change Reserve to Support match funding as well as capital projects. Grant Award received for Energy Efficiency measures for Sports Facilities.	3	2	6	Ongoing commitment by Members, senior management and services to new actions beyond 'business as usual'. Improved understanding of financial returns from climate mitigation measures that can be reinvested. Innovative thinking and delivery of services and mitigation options. Successful outcomes in bids for significant additional grant funding. Funding is dependant on successful applications and awards being achieved, otherwise Council Resources will be needed. Gap analysis report endorsed at Overview and Scrutiny Committee January 24.	Climate Change Strategy, Corporate Strategy 2023 - 2025	Chief Executive	↔	Sep-24
16	Waste/Recycling Income	F	Risk associated to the outcome of current government consultations including Collection Consistency and Extended Producer Responsibilities. High potential for alteration to levels and mechanisms for Council income associated to these areas including, but not restricted to, KCC Performance Payments.	01/09/2023	4	3	12	Consultations currently being monitored through the KRP and direct through DEFRA briefings/updates by Waste and Financial Services and updates being channelled through the Kent Chief Executives meetings.	4	3	12	Whilst consultations and implementation plans will be monitored, the influence on government policy may be limited. This restricts the ability for the Council to directly control the level of this risk and is why the risk remains the same following mitigations.	Statutory Requirement	Director of Street Scene, Leisure and Technical Services	↔	Sep-24
17	Contract/Contractor Procurement	F, R	Failure to appoint suitably experienced and qualified contractors leading to poor quality of service, reputational damage and increased costs to the Council.	01/02/2024	4	4	16	Compliance with Council's adopted Procurement Rules and Strategy. Consultation undertaken with Property and Legal Services to ensure appropriate Lease/License/Contract arrangements are in place. Procedure adopted and monitored for the engagement of contractors setting out and seeking minimal requirements including Risk Assessment and Public Liability. Establishment of cross-departmental working groups for key contracts and projects. Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit. Directorate representatives on the Council's Procurement OSG. Use of external specialist consultant (Dartford Borough Council) in the administration of contract procurement. Use of specialist advisors on major contracts. Contracts to include break clause and/or extension periods based on performance. Contracts to include break clause and/or extension periods based on performance. Use of contract frameworks where appropriate. Risk assessment approach to appointment of contractors. Risk assessment approach to appointment of contractors.	1	3	3	Corporate Procurement Rules & Strategy being addressed by Corporate Procurement Group as currently out of date. Now being reviewed and updated following appointment of Mid Kent Partnership Corporate Procurement Group addressing adequacy of corporate procurement support. Cabinet 2 April for procurement resources through Mid Kent Partnership agreed	Procurement Strategy, Compliance with legislation, Health and Safety.	Director of Street Scene, Leisure & Technical Services	↔	Sep-24

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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
Page 89 Central and Exec	Homes For Ukraine Scheme	Moved to Strategic Risk Register		
	UK Shared Prosperity Fund Programme (inc. Rural England Prosperity Fund)	Having had our T&M Investment Plans 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). UKSPF Year 1 (2022/23) and 2 (2023/24) progress was substantially on track with 100% of budget spent, however Year 3 may well prove to be more challenging as there are a lot more projects to deliver. REPF (used to create the West Kent Rural Grants Scheme) - Year 1 (2023/24) was 100% allocated by September 2023 but c.70% spent by end of year with underspend carried over into Year 2 (2024/25).
	Gibson Building - unable to deliver financial saving which has been assumed within MTFS	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.	Updated	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings. Deal now agreed with KCC in respect of covenants, subject to completion of legal agreement. Risk of capital cost for works to Gibson East exceeding previously agreed budget.
	Tonbridge Castle Gatehouse Roof - costs of resolving roof issue	Water ingress from roof in Great Hall. Feb 2023 rot discovered in roof beam ends. Facility now open following completion of remedial works in July 2023. Permanent works in autumn 2024 to now be scoped	Ongoing	Extent to permanent works required still unknown and therefore operational and financial risk remains
	Elections	Introduction of Elections Bill changes Tranche 2	Ongoing	All Election Act changes up and running and being improved including new Postal vote portal, Postal vote renewals changing to every 3 years Proxy Vote changes. Overseas electors renewal every 3 years, the last one EU citizenship eligibility starts 7/5/24. Some training has been undertaken for this.
	Elections	Changes to Parliamentary boundaries	Ongoing	Work completed and register changed 1/2/24, in readiness for a Parliamentary election.
	Elections	Parliamentary Election	Ongoing	Parliamentary Election to take place on 04/07/24 together with by-election for vacant seat in Judd Ward. Concern over lack of PO's and Count supervisors, due to Polling and Count being on the same day.
	Climate Change Action Scorecard	Climate Emergency UK conduct an annual review of all local authority's climate actions. For 2022-23, the Right to Reply process revealed that TMBC is likely to score only around 25% and, as such, we should expect to be one of the lower scoring authorities. Climate Emergency UK will seek national media coverage for its findings and publish its results in Autumn 2023, posing a reputational risk to TMBC.	Ongoing	Scorecard results not yet published so level of media interest and final TMBC score unknown. Climate Emergency UK will carry out the annual process again for 2023/24 and while some further actions will result in a higher score (e.g. we have started climate literacy training) it is hard to assess progress relative to other authorities at this stage.

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

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Page 90 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.
	Staffing	Year end processes are a significant demand on staffing resources.	Ongoing	This has been exhibited but staff shortages at the present time. Workloads will be monitored closely to ensure service delivery maintained.
	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.	Ongoing.	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.
	IT Resources	Resource capacity for Development Staff	Ongoing	The current demands on IT Development Staff are placing increased pressures on the resource capacity on the staff given competing demands of corporate systems being reviewed and implemented.
	GDPR Compliance findings	Redacted information being stored with unredacted information	Ongoing	Access being restricted and will be removed once uniform is fully deactivated.
	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.
	Back Scanning	Additional requirements identified, resource assessment and funding to be identified	New	Review of volumes being undertaken to assess resource need to enable Gisbon East redevelopment.
Supported Accommodation	The Supported Housing (Regulatory Oversight) Act 2023 came in to force August 2023. Assessment of the act has been ongoing and a consultation on how the act will regulated in practice. The practice is likely to involve a Licensing duty for the responsibility of the Council. Further implications could effect Housing Benefit payments to Landlord where care levels are considered to be unsuitable for the tenant.	Ongoing	Further investigation work will need to be undertaken following the practice regulation are issued, this will involve potentially new service staffing and income to the council. Greater working relationship with Adult Social Care Services will need to be considered and protocols arranged.	

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.
Windmill Lane Gypsy Site	KCC have requested return of management of this site (which is already owned by TMBC) to TMBC on 31 March 2024. This is part of a programme of returns to districts of their owned G&T sites. Initial discussions about management issues and costs have been undertaken.	Ongoing	The return requires Member approval, proposing that this happens via Cabinet in Jan 2024. There are a mixture of Property and Housing risks relating to this potential transfer. Officers are awaiting detailed information from KCC on maintenance costs, the detailed works schedule for grant funded improvements that are scheduled to complete before end of financial year and rent roll. TMBC will require a management arrangement for the site, which is being explored with neighbouring authorities as well as external providers. There will also be a requirement for the Council to have a G&T Allocation Scheme. Risk that the approach to management of this site is not fully in place before the proposed transfer, which could cause liability issues. Also need to consider specific equalities considerations for this group of residents.
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.
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.
Phone Signal	CEOs having difficulty enforcing parking in Tonbridge and customers having issues accessing Ringo due to deterioration in mobile phone signal.	Ongoing	Multi-network sim cards issues to CEO's and liaison taking place with service providers.
Garden Waste invoices	Delay in invoices being issued to subscribers wanting to renew due to IT issues.	Ongoing	Ongoing liaison with IT Services to resolve issue and distribute invoices.
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.
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 is currently being assessed and addressed by Kent Chief Executives. This appears to be requiring LA's to delivery work areas that were historically delivered through the KRF and KRT.
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

22 July 2024

Report of the Management Team

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT 2023/24

This report presents the Annual Governance Statement for the year ended 31 March 2024 for Members' endorsement. The Annual Governance Statement was signed by both the Leader of the Council and the Interim Chief Executive on 31 May 2024 and accompanies the Statement of Accounts 2023/24.

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 by the Director of Central Services/Monitoring Officer 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. 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.

1.1.3 The Annual Governance Statement for the year ended 31 March 2024 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 was signed by the most senior Member and officer of the Council on 31 May 2024.

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 2024.

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 2024 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 has 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 was approved by Full Council in the Summer of 2023.

The strategy covers the period 2023 to 2027 and sets out our 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."*

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 provides 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 2023/24 and identified several high risk areas on the Strategic Risk Register, these risks were monitored reviewed by the Corporate Management Team and reported to the Audit Committee.

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 2022/23 audit identified two significant weaknesses in regard to performance management and procurement under the heading of 'Improving economy, efficiency and effectiveness'. These matters were reported to the Audit Committee along with the management response in September 2023. The actions within the management response have been progressed since the committee.

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.

Signed



Interim Chief Executive

Dated 31st May 2024

Signed



Leader of the Council

Dated 31st May 2024

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2023/24

This report presents an unaudited set of Accounts for 2023/24 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom.

1.1 Introduction

1.1.1 This report presents an unaudited set of Accounts for 2023/24 [**Annex 1**] for information.

1.1.2 The Accounts include adjustments in light of the outturn position which were discussed informally with Cabinet and are due to be reported to the formal meeting of the Cabinet scheduled for 8 July.

1.1.3 As Members are aware from my report to the April Committee meeting, due to the 'backlog' issues nationally, the Audit of the 2023/24 accounts is unlikely to commence until October 2024 with conclusion of the Audit in December 2024.

1.1.4 As an interim measure to deal with the national backlog, the accounts for 2023/24 have to be signed off by External Auditors by 31 May 2025. Members will be aware that this interim arrangement is significantly later than the 'normal' statutory deadline which would have meant a date of 30 September 2024.

1.1.5 As discussed at the April meeting of the Committee, Members resolved that the accounts and Audit Finding Report (AFR) should be considered by the Audit Committee at their meeting on 13 January 2025. Under the Council's Constitution, responsibility for the approval of the Statement of Accounts is delegated to this Committee.

1.2 Statement of Accounts

1.2.1 The Accounts are 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 2023/24.

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 West Building 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 2023/24 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 2024. 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 myself 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 the Council's external auditor is due to undertake the audit of the Accounts in October.

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 2024 and its income and expenditure for the year ended 31 March 2024.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September 2024 and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts. It should be noted the Council's external auditors have been charged with getting other authorities' accounts agreed up to the 2022/23 financial year and as such the Council's 2023/24 audit will not take place until October to December 2024, with a final report to Members of this committee in January 2025.
- 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 13 January 2025 (see paragraph 1.1.5 above).

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 has been 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.
- 1.6.2 The draft accounts have been displayed on the Council's website since 31 May 2024. Under Regulation 15(2)(b) of the Accounts and Audit Regulations 2015 notice was given that from Monday 3rd June 2024 to Friday 12th July 2024 (weekdays between 9am and 4pm) the accounts could be inspected by any person.

1.7 Financial and Value for Money Considerations

- 1.7.1 The fee for the audit of the 2023/24 Accounts is £139,930 compared to £61,099 for the 2022/23 audit, an increase of £78,831.

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 2023/24.

- 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.

Background papers:

Investment information provided by King & Shaxson
Pension information provided by Barnett Waddingham
Valuation/Impairment information provided by Wilks
Head & Eve.

contact: Paul Worden
Amanda Riley

Sharon Shelton
Director of Finance and Transformation

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

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Overview of Statement of Accounts 2023/24

The Statement of Accounts 2023/24 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 2 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 (CIES) (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 £8.94m compared to £52.2m in 2022/23. The movement of £43.26m is largely due to:

- Actuarial gain of £1.8m in respect of the Pension Fund. This compares to gain of £51.1m in 2022/23;
- Interest and investment income of £3.4m compared to £0.4m in 2022/23;
- One off VAT refund received in 2023/24 for £2m, shown as an exceptional item in the CIES.

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 2024. 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 2024 the total value of the Council's non-current assets was £94.8m (£92.9m at 31 March 2023). 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, properties for community use were the subject of revaluation. In addition to these properties, the Council's external valuers have also undertaken interim valuations of the Council's three main leisure facilities. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £2,902,000, of which £3,896,000 is recognised in the revaluation reserve and £994,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement.

The Pensions Liability as at 31 March 2024 was £6.1m and as at 31 March 2023 £9.3m. 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 £32.2m at 31 March 2024 comprising:

Revenue Reserve for Capital Schemes	£9.4m
Building Repairs Reserve	£1.1m
Property Investment Fund Reserve	£3.3m
Other Specific Earmarked Reserves	£8.5m
General Revenue Reserve	£9.9m

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 £8.8m can be attributed to a number of factors including the purchase of investments and Collection Fund movements.

7) Notes to the Accounts (Pages 20 to 64)

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

8) Collection Fund and Associated Notes (Pages 65 to 68)

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 69 to 72)

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 73)

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 2024 and its income and expenditure for the year ended 31 March 2024, 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 2023/24.

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 2023/24; 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 2022/23 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 20 February 2024 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 17: Closure of the 2023/24 Financial Statements.

Signed:

A solid black rectangular box redacting the signature of S.J. Shelton.

Dated: 31 May 2024

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

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

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 2023/24.

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 2023/24 and a summary of the findings of this review is attached at **[Annex 1]**. An External Quality Review is required to be undertaken every 5 years and is due in 2026.
- 1.1.2 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. Internal Audit and Counter Fraud services have been delivered through an Inter Authority Agreement with Kent County Council, giving the function greater resilience and access to a broader range of skills and expertise.
- 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 2023/24 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 2023/24 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 Council's strategic and operational risk registers are reviewed to contribute towards the prioritisation of the Annual Internal Audit Plan.
- 1.4.2 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 2023/24 was Good.

Background papers:

Nil

Richard Benjamin
Chief Audit Executive

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Summary of Measures to demonstrate the effectiveness of Internal Audit – 2023-24 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. Another External Quality Assessment is due in 2026.</p> <p>Within the last internal Self-Assessment, there were 9 areas of enhancement raised. These have all been actioned. Since this assessment, the Institute of Internal Auditors have issued a set of new Global Internal Audit Standards, and CIPFA are due to release a subsequent update to the Public Sector Internal Audit Standards by the end of 2024.</p> <p>A gap analysis has now been completed and a comprehensive Action Plan is being finalised which will ensure the Internal Audit function complies with the new Standards.</p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2023-24 Review

<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 2023/24 financial year used a risk-based methodology to ensure the most effective use of Internal Audit resource.</p> <p>A review of the Council's risk registers identified key risks to the Council. Discussions with Senior managers and use of other intelligence also identified other operational and emerging risks.</p> <p>Potential audit engagements were risk assessed to help prioritisation and these were discussed with Management Team.</p> <p>To ensure flexibility and focus on risk, Internal Audit run a rolling plan that covers the initial 6 months of the year. Further risk assessment was conducted in August/September to ascertain reviews for inclusion in the second 6 months of 2023/24.</p>
<p>Customer Satisfaction survey results.</p>	<p>Customer satisfaction surveys are sent to client managers on publication of a final internal audit report. The results of surveys returned in 2023/24 to date gave an overall satisfaction measure of 100% (based on 7 surveys received at time of reporting). Surveys received had additional comments from the business lead, including:</p> <p><i>“I feel it has been hugely beneficial to have input from the audit team not only at this juncture but also last year when we were starting to pull together performance management infrastructure (toolkit etc) at the beginning of last year. This input has helped to shape the process we now have in place and has given a useful pointer for future improvement.”</i></p> <p><i>Auditor “was fantastic to work with, her communication was excellent, she was concise and informed me of everything we needed at each step of the way.</i></p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2023-24 Review

	<p><i>The draft report required minimal wording changes; I was advised of everything she required well in advance to give maximum preparation time.”</i></p> <p><i>“Throughout the audit there was excellent communication between myself and the auditor which lead to the audit being undertaken efficiently”</i></p> <p>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 were used to assess the effectiveness of the Internal Audit team in achieving a quality Internal Audit Service for 2023-24. As reported in the Annual Internal Audit and Counter Fraud Report 2023-24, during the year the team met four of the 6 Internal audit performance measures.</p> <p><i>Client satisfaction surveys (Audit) - % positive response:</i> (Target 90%, Performance 100%)</p> <p><i>Audit Plan completion - % completion:</i> (Target 90%, Performance 93%) <i>16 Audit have either been completed or issued as draft reports. That leaves 2 audits still to be completed. Contract Management Leisure Trust and Planning Enforcement were both agreed to have later start dates with the services due to other audits taking place and recruitment to fill posts within the service.</i></p> <p><i>Days training received – no of days per staff member:</i> (Target 5 days, Performance 6.2 days) <i>This is based on staff involved in the completion of the TMBC audit and fraud plan, but excludes all auditors enrolled in the Internal Professional Apprenticeship at Birmingham City University. Due to their study commitments, they have in excess of 40 days during the year and therefore would skew the results of this KPI.</i></p> <p><i>Maintenance of Continual Professional Development for qualified staff:</i></p>

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2023-24 Review

(Target 100%, Performance 100%) Based on staff working on the TMBC plan who hold professional accounting/audit qualifications that carry CPD requirements. This includes 2 staff who are Chartered Internal Auditors (CMIIA) and 2 staff who are Qualified Auditors (ACCA).

For the remaining two KPIs:

Implementation of Improvement actions from quality assessments that are due (Target 90%, Performance N/A):

This KPI is measured to ensure that any areas of non-conformance with the Public Internal Audit Standards are addressed. The outcome has been reported as 'n/a' this year as a review of the Public Sector Internal Audit Standards did not highlight any notable areas for improvement. This KPI will be important in future as it will measure the implementation of actions needed to comply with the new Global Internal Audit Standards. This will be reported during 2024/25.

Time from end of Fieldwork to Draft Report – % within 10 working days (Target 85%, Performance 71%):

Performance has improved since last year, up 5%. Four audits missed the 10-day target, 2 were minor, with 2 reaching 25 working days. On both occasions this was due to timings in relation to annual leave. This KPI is measured to ensure that findings/issues are promptly reported. To ensure this, we have implemented a more agile auditing approach in the last 18 months. Part of this is an increase in ongoing communication during the audit and the raising of findings/issues as and when observed. This means the service is aware of finding during the audit process rather than being presented with them in the Draft Report on completion. Management actions may already be agreed and in some cases already implemented by the time of the draft report is issued. Therefore, the indicator is not a true reflection of timeliness of reporting.

Summary of Measures to demonstrate the effectiveness of Internal Audit – 2023-24 Review

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 2023/24 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.

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

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 2023/24

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 2023/24 to support that opinion. In addition, the report also informs Members on the work of the Counter Fraud function in 2023/24.

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 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 The 2023/24 Review

1.2.1 Internal Audit Annual Report 2023-24 contained at **[Annex 1]** gives the details of the review and work undertaken over the financial year.

1.3 Legal Implications

- 1.3.1 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.
- 1.3.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.
- 1.3.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

1.4 Financial and Value for Money Considerations

- 1.4.1 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.
- 1.4.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Local Government Counter Fraud and Corruption Initiative. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

1.5 Risk Assessment

- 1.5.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.
- 1.5.2 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:

Internal Audit Annual Report 2023-24

Richard Benjamin
Chief Audit Executive

James Flannery
Counter Fraud Manager



Tonbridge and Malling Borough Council

**Internal Audit Annual Report 2023-24
July 2024**

1. Purpose and Background

1.1 This Annual Report provides a summary of the work completed by the Internal Audit service during 2023-24.

1.2 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:

- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
- A summary of the audit work from which the opinion is derived;
- Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- A comparison of the work undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and criteria;
- A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
- Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
- Disclosure of any impairments to Internal Audit's independence (in fact or appearance) or restrictions in scope.

1.3 The purpose of this report is to satisfy these requirements and members are requested to note its content and the Annual Internal Audit Opinion provided.

1.4 Additionally, the report highlights key messages and outcomes, issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from work undertaken by Internal Audit.

1.5 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;
- Wider knowledge of key risks and operations by the Chief Audit Executive. Including advisory and consultancy work completed
- 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.
- Knowledge of other work completed by other inspectorates or assurance providers.

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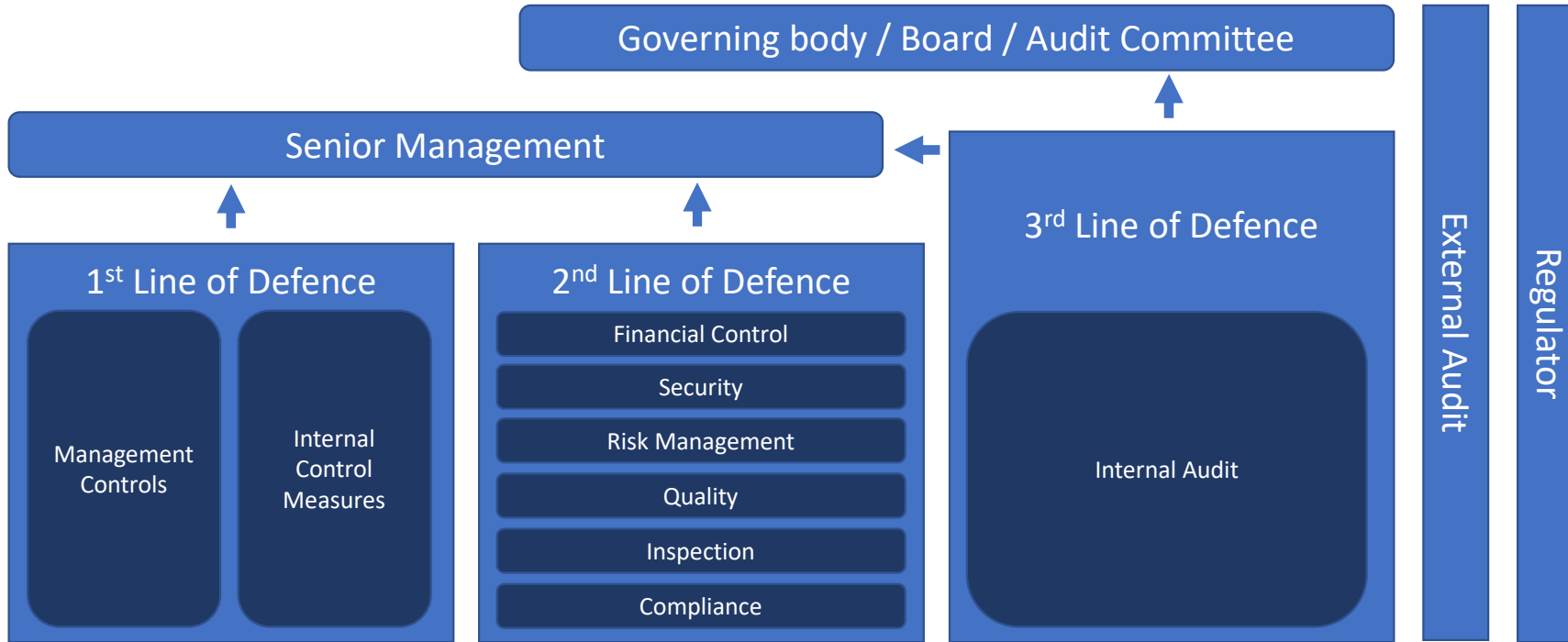
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1.8 The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model:

Figure 2: Three Lines of Defence Model:



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2. Annual Opinion

Overall Assurance and Opinion

- 2.1 Internal Audit concludes that **Substantial** Assurance can be assigned in relation to the Council's corporate governance, risk management and internal control arrangements.
- 2.2 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 2023/24, 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.
- 2.3 There has been no systems, processes or functions assigned a "Limited" or "No" assurance in 2023-24. The audit reviews awarded Substantial (62%) or Adequate (38%) assurance remain consistent with 2022-23. There have also been non-assurance work completed during the year reported to the Audit Committee. The results of these advisory reviews have also been considered in the opinion assessment.
- 2.4 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 2023/24, 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. There have been fewer recommendations raised for 2023/24.
- 2.5 The opinion is also based on the evaluation of the implementation by management of actions to address internal control and risk management issues identified by Internal Audit reports. In 2023-24, Implementation rates decreased to 53% (Including those awaiting evidence to close) from 70% in 2022-23. Although there was a drop in implementation, there were fewer recommendations raised and delays were partly attributable to the implementation of the Agile system and the re-procurement of major contracts
- 2.6 No incidences of material external or internal fraud have been detected.

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2.7 Internal Audit aims to add value and continues to work collaboratively with stakeholders, senior management and the Audit Committee to improve governance and internal control arrangements via identifying improvements such as:

- Being a critical friend and trusted advisor for Council projects. Eg Agile.
- Auditing what matters and revising areas of coverage to reflect new risks;
- Help the Council look back and learn from experiences with clear and targeted reports;
- Highlighting emerging risks that require monitoring and managing;
- Championing effective corporate governance, strong risk management, greater efficiency of operations and effective processes and internal controls,
- Continued coverage of information technology and information governance risks;
- Attendance at various external groups to share best practice and inform horizon scanning of significant risks;
- Delivery of an effective proactive and reactive Counter Fraud service;
- Promoting and delivering on the ethos of talent management and development of members of the service;

2.8 There have been no significant limitations to the scope of Internal Audit work, but it should be noted that the assurance expressed can never be absolute and as such Internal Audit provides assurance based on the work performed.

3. 2023/24 Internal Audit Plan Status

3.1 A summary of the 2023-24 Audit Plan is included below. Internal Audit Summaries issued since April 2024 are include at Appendix 1.

	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
1	TM01-2024	Estates Management	Complete	Substantial	Good	January 2024
2	TM02-2024	Savings plan / Transformation Strategy	Complete	Adequate	Good	July 2024
3	TM03-2024	IT Development	Complete	Adequate	Good	January 2024
4	TM04-2024	Local Plan	Complete	Advisory	N/A	January 2024
5	TM05-2024	S106 Agreements	Complete	Substantial	Very Good	January 2024
6	TM06-2024	BCP	Complete	Adequate	Good	April 2024
7	TM07-2024	Parking - Follow Up	Complete	Adequate	Good	April 2024
8	TM08-2024	Agile Board	Complete	Advisory	N/A	July 2024
9	TM09-2024	Castle Project	Complete	Advisory	N/A	July 2024
10	TM10-2024	Accounts Receivable	Complete	Substantial	Good	January 2024
11	TM11-2024	GDPR - Incident Reporting	Complete	Substantial	Very Good	April 2024
12	TM12-2024	Agile Post Implementation review - Lessons Learnt	Draft Report	Advisory	N/A	TBC
13	TM13-2024	Communications Strategy	Complete	Substantial	Adequate	April 2024
14	TM14-2024	IT Helpdesk	Draft Report	Substantial	Very Good	July 2024
15	TM15-2024	Planning Enforcement	Fieldwork	TBC	TBC	
16	TM16-2024	Waste Partnership	Complete	Adequate	Very Good	July 2024
17	TM17-2024	Contract Management - Leisure Trust	Draft Report	Substantial	Good	TBC
18	TM18-2024	Corporate Performance Management Framework	Complete	Substantial	Good	April 2024

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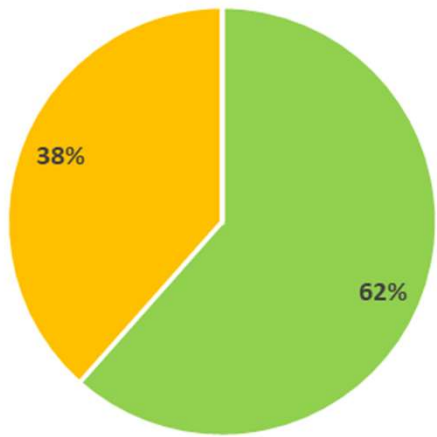
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Assurance Levels 2023/24



Assurance Level	No	%
High	0	0%
Substantial	8	62%
Adequate	5	38%
Limited	0	0%
No	0	0%

Prospects for Improvement	No	%
Very Good	3	23%
Good	9	69%
Adequate	1	8%
Uncertain	0	0%

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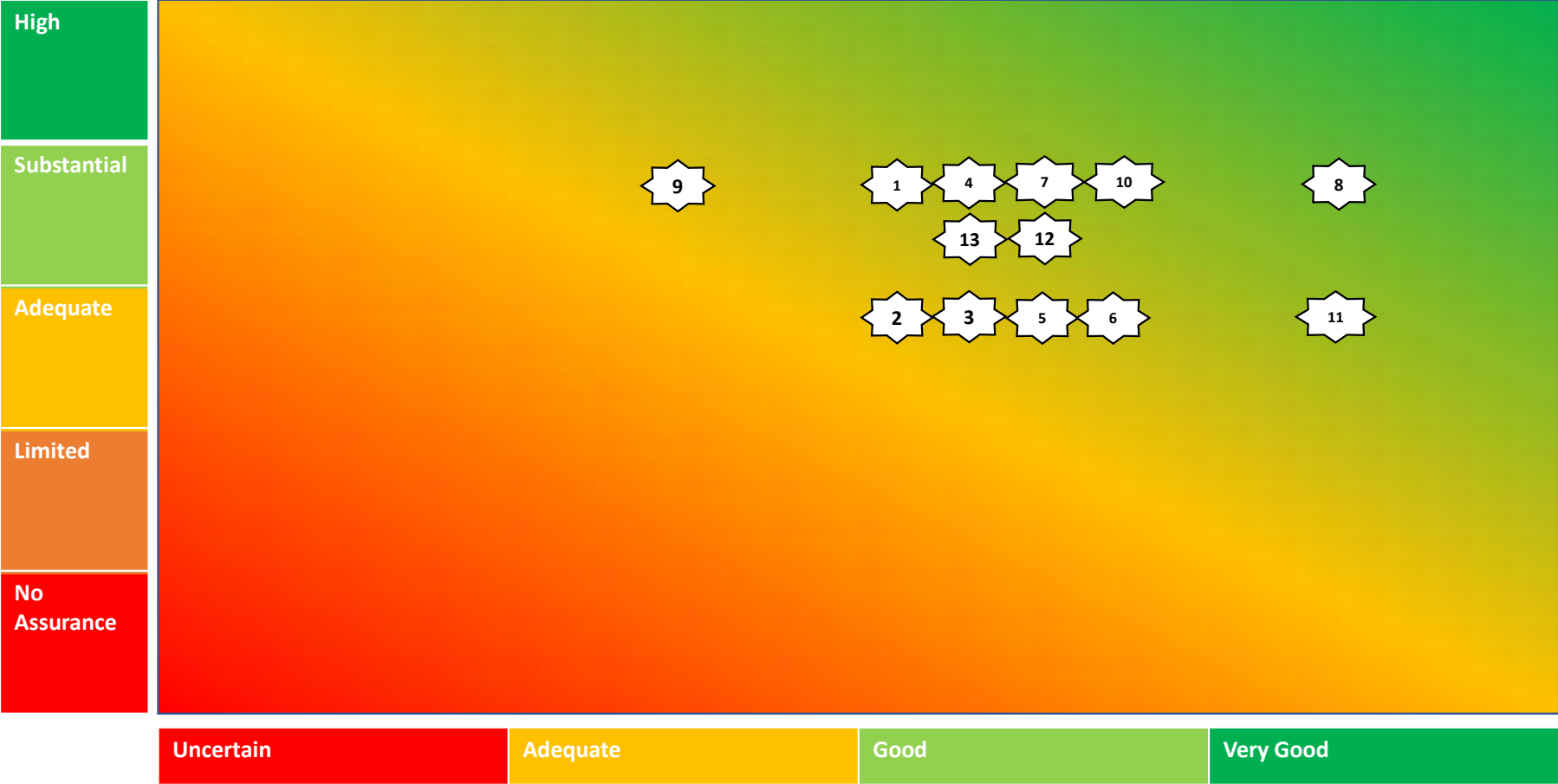
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2022/23 Audit Assurance Levels and Prospects for Improvement of Audits

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Assurance Level



Prospects for Improvement

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4. Implementation of Agreed Actions

4.1 Details of the year end position on the implementation of actions from Internal Audit reports is set out in the below section.

4.2 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.

4.3 The status of implementation for the 42 recommendations due during 2023/24 is summarised below. The majority of recommendations not implemented are awaiting system implementation (Agile) or the re-procurement of contracts.

Table 6: Summary of Action Implementation

	Total Number due for Implementation		Implemented		Awaiting Evidence to Close		In Progress		Not Implemented	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	9	33	6	12	1	3	1	14	1	4
Total %			43%		10%		35%		12%	

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5. Conformance with Public Sector Internal Audit Standards (PSIAS)

- 5.1 The Public Sector Internal Audit Standards (Standards) are mandatory for all public sector internal audit functions. The Standards require Internal Audit functions to maintain a Quality Assurance and Improvement Programme (QAIP), which should include both internal and external assessments of compliance against the Standards.
- 5.2 The last external quality assessment (EQA) was completed in February 2021. The EQA concluded that the service 'Generally Conforms' with the Public Sector Internal Audit Standards, which is the highest possible assessment available and was in line with our own internal self-assessment. The outcomes from this EQA were reported to Committee in July 2022 and all actions from the EQA were fully implemented.
- 5.3 The internal self-assessment for 2023/24 has been completed and has confirmed the Internal Audit function continues to be generally conformant with the Standards. It also confirmed that all internal audit work completed during 2023/24 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard:1300 – Quality Assurance and Improvement Programme.
- 5.4 The Institute of Internal Auditors' (IIA) Global Internal Audit Standards has recently been updated. Compliance with the new Standards is required by 9th January 2025. A self-assessment against the new Standards has been completed during 2024/25. The outcomes from this self-assessment and further details of the new Standards will be reported to Management Team and Audit Committee later in the year

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Table 9: Conformance with PSIAS

		Generally Conforms	Partially Conforms	Does Not Conform
Definition of Internal Auditing				
Reference	Code of Ethics			
1	Integrity	✓		
2	Objectivity	✓		
3	Confidentiality	✓		
4	Competence	✓		
Reference	Attribute Standards			
1000	Purpose, Authority and Responsibility	✓		
1010	Recognising Mandatory Guidance in Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Programme	✓		
1310	Requirements of the Quality Assurance and	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the QAIP	✓		
1321	Use of Conforms with the International Standards	✓		

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		Generally Conforms	Partially Conforms	Does Not Conform
Reference	Attribute Standards			
1322	Disclosure of Non-conformance	✓		
Reference	Performance Standards			
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organisational Responsibility	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Planning	✓		
2300	Planning Considerations	✓		
2310	Engagement Objectives	✓		
2320	Engagement Scope	✓		
2330	Engagement Resource Allocation	✓		
2340	Engagement Work Programme	✓		
2400	Performing the Engagement	✓		
2410	Identifying Information	✓		

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		Generally Conforms	Partially Conforms	Does Not Conform
Reference	Performance Standards			
2420	Analysis and Evaluation	✓		
2421	Errors and Omissions	✓		
2430	Use of 'conducted in conformance with...	✓		
2431	Engagement Disclosure of Non-conformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Resolution of Senior Managements Acceptance of Risks	✓		

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6 Quality Assurance & Improvement Programme (QAIP)

6.1 The Public Sector Internal Audit Standards (PSIAS) describe the QAIP as:

“A QAIP is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.”

6.2 As acknowledged by the External Assessor in 2021, Internal Audit have a robust process for undertaking the QAIP, which includes the completion of the following reviews to confirm compliance with PSIAS:

- **Self- Assessment** - completed for each audit engagement, proactive fraud review and complex investigation.
- **Hot Reviews** - complete for each audit investigation and fraud investigation.
- **Cold Reviews**- carried out annually across all clients using a judgemental sample and least one per individual.
- **Internal Assessment** - competed annually against PSIAS.
- **External Assessment** - completed every 5 years for Audit and Counter Fraud.
- **Customer Feedback** - competed for each audit engagement and proactive counter fraud review.

During 2023-24, the following Improvement areas were addressed:

Improvement Issue
Identify and implement further improvements in the use of Data Analytics.
Define agile principles and methodology and extend the use of the agile auditing approach.
Continue reviewing report formats with the aim of reducing report length and increasing the use of visualisations.
Identify the audit opportunities to be implemented from the use of AI.
Ensure the greater effectiveness of non-assurance reporting such as Management Letters including the tracking of suggested improvements.
Prepare for the new Global Internal Audit Standards, including advising the Audit Committee of its new requirements.
Continue to develop wellbeing support and approaches for the team.

Improvements required for the service in 2024-25 include:

Improvement Issue
Assessment of compliance against new Global Internal Audit Standards and address any areas of non-conformance.
Implemented a more effective approach to following up Cold Reviews.
Integration of new Audit Management software and updating the Audit Manual to align.
Utilisation of artificial intelligence in audit planning
Continue to develop wellbeing, support and approaches for the team.

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6.3 The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement and learning for the team. The performance of the Internal Audit Team is measured and monitored throughout the year and the year-end position is shown below:

Audit Plan

Audit Plan Completion
93% (Target 90%)

16 Audits have either been completed or issued as draft reports. That leaves 2 audits still to be completed. Contract Management Leisure Trust and Planning Enforcement were both agreed to have later start dates with the services due to other audits taking place and recruitment to fill posts within the service.

Timeliness of Draft Report

Time from end of fieldwork to Draft Report – % within 10 working days
71% (Target 85%)

Performance has improved since last year, up 5%. Four audits missed the 10-day target, 2 were minor, with 2 reaching 25 working days. On both occasions this was due to timings in relation to annual leave. This KPI is measured to ensure that findings/issues are promptly reported. To ensure this, we have implemented a more agile auditing approach in the last 18 months. Part of this is an increase in ongoing communication during the audit and the raising of findings/issues as and when observed. This means the service is aware of findings during the audit process rather than being presented with them in the Draft Report on completion. Management actions may already be agreed and in some cases already implemented by the time of the draft report is issued. The indicator, is therefore, not a true reflection of the timeliness of reporting.

External Quality Assessment

Assessed from the External Quality Assessment as ‘Generally Compliant’

Internal Self-Assessment

% of Improvement actions completed from quality assessments
No actions to Implement

This KPI is measured to ensure that any areas of non-conformance with the Public Internal Audit Standards are addressed. The outcome has been reported as ‘n/a’ this year as a review of the Public Sector Internal Audit Standards did not highlight any notable areas for improvement.

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Training

Average days training received per staff member
6.2 days (Target 5 days)

This is based on staff involved in the completion of the TMBC audit and fraud plan, but excludes all auditors enrolled in the Internal Professional Apprenticeship at Birmingham City University. Due to their study commitments, they have in excess of 40 days during the year and therefore would skew the results of this KPI.

Organisation Performance

% Recommendations implemented by original date
45% (Target 80%)

% of open Recommendations overdue
39% (Target 10%)

Time from issue of Draft Report to completion of Management Action Plan (% within 10 working days)

30% (Target 85%)

F. Client Satisfaction

Client Satisfaction surveys at the end of each audit
100% (Target 90%)

Further details on client satisfaction can be found at [paragraphs 7.2 and 7.3](#)

Professional Qualifications

Maintenance of Continual Professional Development for relevant staff
100% (Target 100%)

Based on staff working on the TMBC plan who hold professional accounting/audit qualifications that carry CPD requirements. This includes 2 staff who are Chartered Internal Auditors (CMIIA) and 2 staff who are Qualified Auditors (ACCA).

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Client Satisfaction

- 7.2 At the end of each audit review, a client satisfaction questionnaire is sent to the auditee. The cumulative result for these surveys was 100% satisfaction, which shows an improved position from 2022-23 performance.
- 7.3 The survey also requested any additional comments and comments received are replicated below:

Auditor “was fantastic to work with, her communication was excellent, she was concise and informed me of everything we needed at each step of the way.”

“I feel it has been hugely beneficial to have input from the audit team not only at this juncture but also last year when we were starting to pull together performance management infrastructure (toolkit etc) at the beginning of last year. This input has helped to shape the process we now have in place and has given a useful pointer for future improvement.”

“The draft report required minimal wording changes; I was advised of everything she required well in advance to give maximum preparation time.”

I found the auditor very transparent, efficient and the process of collecting evidence very straightforward due to the concise explanation of what was needed and why. I felt I was kept informed throughout the audit and when anything was asked for an excellent explanation on why this was required was given

“Throughout the audit there was excellent communication between myself and the auditor which led to the audit being undertaken efficiently”

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7. Internal Audit and Counter Fraud Resources

- 7.1 In accordance with professional standards, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function.
- 7.2 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 2023-24, over 14 audit and fraud staff have supported its delivery.
- 7.3 Although there has been some staff turnover during the course of the year, albeit more limited than in 2022-23, the service has conducted successful recruitment exercises in a challenging market and excellent new colleagues have joined the team.
- 7.4 A Business Case to increase the capacity and resilience of the service was approved by the Kent County Council Corporate Management Team in June 2023. This then led to resources being provided within 2023-34 to amend the team structure to promote staff retention and career progression and decrease reliance upon agency and bought in services.
- 7.5 It is also concluded that there have been no limitations to resources which adversely impacted upon the ability to provide an Annual Opinion.

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8. Disclosure on Impairment and Statement of Independence

- 8.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note).
- 8.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority makes arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
 - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 8.3 Since October 2021, the Internal Audit and Counter Fraud service has been delivered through an Inter Authority Agreement with Kent County Council. Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Leader of the Council, Chief Executive, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Audit Committee.
- 8.4 There has been no significant restrictions on the scope of Internal Audit work findings during 2023-24. It is confirmed that the independence of the Internal Audit and its ability to form an evidenced audit opinion has not been adversely affected in 2023-24.
- 8.5 Summaries of audit work completed have been provided to the Committee throughout the year and there have been no identified areas that have required escalation.

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9. Annual Counter Fraud Report

9.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during 2023/24.

National Fraud Initiative

9.2 The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2023-24 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

9.3 The NFI biennial and flexible data matching service is progressing with matches being reviewed by relevant teams. A summary of activity is shown in **Appendix 2**. To date, this has identified £25,088 in benefit overpayments in addition to estimated savings going forward of £40,531.

Kent Intelligence Network

9.4 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2023/24 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business and residential premises.

9.5 In addition, a review of all discounts/exemptions within Business Rates is under way, the review is to reaffirm the award of a discount/exemption or to amend the account if circumstances have changed. This review was put on hold due to the loss of TMBC's Counter Fraud Technician.

9.6 This year the following results have been achieved:

- Single person discount to financial matches £6,856 increased council tax liability
- Single person discount to NFI matches £81,684 increased council tax liability
- Single person discount reviews from fraud referrals £5,108 increased council tax liability
- Small Business Rate Relief reviews from the Hub £11,251 increased liability
- Unrated businesses £964,405 increased liability
- Retriever debtor tracing £260,412 for recovery action
- Business rates review £64,290 increased rates liability.

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Investigating Fraud, Bribery and Corruption

9.7 A summary of cases referred or carried into the current fiscal year can be found in **Appendix 3**

9.8 A total of 125 referrals were received by the Counter Fraud Team in 2023/24. The most reported fraud type is council tax reduction with housing benefit or universal credit attached, where 46 referrals have been received. The second most reported fraud type is single person discount where a total of 41 referrals have been reported. A total of 18 cases were carried forward from earlier years, of which all are now closed. The outcomes of these cases are:

- Seventeen cases closed, where no further action is required.
- One case closed; housing application withdrawn.

Appendix 1 – Internal Audit Summaries

TM02-2024 Savings

Audit Opinion	Adequate
Prospects for Improvement	Good

Management has strong knowledge of the financial position and available savings that can be made to contribute towards the savings target with a short timeframe such as changes in fees and charges. However, the smaller savings that have been implemented still leave a large funding gap and further large savings must be made, although are not all yet defined.

There have currently been savings with the value of £195,000 identified and incorporated into the MTFS contributing to the Tranche 1 savings target. Alongside this, further saving recommendations have been proposed to Cabinet and will be discussed within 2024.

Within Cabinet meetings members have been reminded of the financial position of the Council and the importance of the savings targets for Tonbridge and Malling Borough Council's future financial stability.

Key Strengths

- The MTFS includes robust calculation and is regularly updated to ensure it is as accurate as possible and future assumptions are based on knowledge and historical data where available.
- Management have identified several key savings that have contributed towards the achievement of the Tranche 1 savings target.
- Identified savings are being discussed and documented at Cabinet meetings showing progression towards the savings target.

- Management have highlighted the financial position of the Council and the urgent requirement for savings to be made to achieve financial sustainability.

Areas for Development

- The Tranche 1 savings target will not be met by April 2024 due to the identified savings not being implemented prior to 2024/2025. Currently £195,000 of achieved savings are incorporated into the MTFS leaving a gap of £305,000 which is to be achieved by April 2025. **MEDIUM**
- There needs to be a continued and sustained contribution from Members to identify savings that will achieve the savings target. The current identified savings have made progress towards reducing the funding gap. **HIGH**
- Further savings have been identified by management to achieve Tranche 1 such as car parking fees, these are unlikely to come into effect (if agreed) until summer 2024. It is key to the achievement of the savings target that identified savings are discussed and considered by Cabinet in a timely manner to ensure there is minimal slippage of target dates. **HIGH**

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	1	1	0
Medium Risk	1	1	0
Low Risk	NA	NA	NA

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TM16-2024 Waste Partnership Contract Management

Audit Opinion	Adequate
Prospects for Improvement	Very Good

Key Strengths

- The Contract between TMBC and the Contractor is signed and dated by all parties.
- The Contract and supporting documents promote good communication between TMBC, the Partner Authority, and the Contractor.
- There is a good working relationship between TMBC and the Contractor. There are several points of communication including day-to-day, operational, and strategic levels. There has been a responsive and flexible approach to these meetings, with frequencies increased in 2020/2021 when there were extensive issues with Contractor performance. For waste collections, TMBC receive twice daily emails from the Contractor updating on progress and any issues. TMBC can also review the Contractors live-time software (Whitespace) to monitor completion. This allows TMBC to have assurance that waste collection is completed per the agreed schedule. However, these oversight and assurance systems are not currently in place for street cleansing (see issues).
- Between the Contract Manager and the Partnership Manager, there is a wealth of experience in both contract management and waste services.
- In 2023, the Contract Manager and the Partnership Manager both completed 'Managing Contracts and Contractors' training.
- Planning for retendering or recommissioning has commenced which includes review of findings from a previously undertaken formal lessons learned exercise.
- Procedures for reconciling Part A and Part B invoice charges for waste collection works are appropriate to ensure that only works undertaken are paid for.
- Invoices have been appropriately approved for payment by persons with the correct level of signing authority and payments are made to the Contractor promptly following receipt of invoice.

Areas for Development

- The Joint Working Arrangements document between TMBC and the Partner Authority is still in a draft and unfinished form. **LOW**
- Variations to the contract specification are not consistently made in line with the Contract. **MEIDUM**
- There are opportunities for the communications and meetings between TMBC, the Partner Authority, and the Contractor to be optimised. **MEDIUM**
- There has been a change in the KPIs that will be tracked to measure contract performance and a change in the reporting and oversight of these KPIs, with some aspects of the proposed revised processes still unclear. **MEDIUM**
- TMBC do not have adequate assurance for works completed with regard to street cleansing. **HIGH**
- In comparison to the Partner Authority, TMBC are issuing substantially less 'intent to default' notices and 'default' notices. **LOW**

Prospects for Improvement

Our overall opinion of **Very Good** for Prospects for Improvement is based on the following factors:

- Management responses address the significant risks raised with clear action plans.
- The timescales for the management actions are within the next six months.
- Management of the Contract has evolved during the course of the Contract relative to periods of good or poor contractor performance.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	1	1	0
Medium Risk	3	3	0
Low Risk	2	1	1

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TM14-2024 IT Helpdesk

Audit Opinion

Substantial

Prospects for Improvement

Very Good

There is a new IT Technical Architect and Support Manager in post since April 2024. This role holds responsibility for supervision of a front-line Helpdesk support service, and also provides line management to the Helpdesk Support Officers, The Helpdesk Administrator, and the Senior Technical Support Officers (collectively referred to as the Technical Support Team). The Technical Support Team are together responsible for resolving circa. 85% of the tickets raised on the Helpdesk.

Audit fieldwork demonstrated that the SolarWinds software provides a functional system for the receiving, tracking and resolution of tickets. However, there are elements of the Helpdesk function which may benefit from increased oversight; this includes the allocation of tickets, service level achievement, and closure of tickets. The Helpdesk may also benefit from identifying key performance indicators and completing associated performance monitoring

Key Strengths

- Sample testing found that tickets are generally categorised reasonably against the 'IT Helpdesk – Priorities and Service Levels' document.
- The SolarWinds system itself offers some functionality for the manipulation, visual depiction, and extraction of the data held. Furthermore, the IT Technical Architect and Support Manager has begun using PowerBI for more advanced and user-friendly data visualisation and dashboards. However, indicators of performance have not been established and are not tracked.
- User feedback is automatically requested for every ticket as it is closed. Feedback is collated by the IT Technical Architect and Support Manager, and satisfaction scores are generally high with the Technical Support Team achieving 99.39% satisfaction over the last 12 months. The percentage of surveys returned is circa. 20%.

- The Helpdesk is within Microsoft Azure and backed to an immutable cloud. A full backup is completed weekly with daily incremental backups.

Areas for Development

- The 'IT Helpdesk – Priorities and Service Levels' is not subject to regular review, and some service level expectations are not precise. **LOW**
- There is further opportunity for promotion of the self-service system for logging tickets, which would increase efficiency of the Helpdesk system. **MEDIUM**
- Testing identified instances where SolarWinds had not had sufficient oversight, and that SLAs were not always met or monitored for achievement. **LOW**
- There are no clear plans for management of the Helpdesk in the event of unexpected downtime. **LOW**

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- The newly appointed IT Technical Architect and Support Manager has demonstrated a clear commitment to improvement of the service throughout the audit process.
- All issues raised have been addressed by a clear management action plan.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	NA	NA	NA
Medium Risk	1	1	0
Low Risk	3	3	0

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Report	Date matched	Title	All	Opened	Closed no issue	Already known	Referred to DWP	Closed fraud	Closed error	Outstanding	Estimated savings	Overpayment reclaimed
2	03-Feb-23	Housing Benefit Claimants to Student Loans	4							0	£0	£0
2	29-Jan-24	Housing Benefit Claimants to Student Loans	2		2					0	£0	£0
29.1	03-Feb-23	Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	1							0	£0	£0
49.1	02-Mar-23	Housing Benefit Claimants to DWP Deceased	10							0	£0	£0
66	28-Jul-23	Payroll to Payroll	1							0	£0	£0
80	03-Feb-23	Payroll to Creditors	33		33					0	£0	£0
81	03-Feb-23	Payroll to Creditors	20		20					0	£0	£0
91	03-Feb-23	Housing Benefit Claimants to Waiting List	11							0	£0	£0
93	03-Feb-23	Housing Benefit Claimants to Waiting List	1							0	£0	£0
172.3	26-Jan-23	Resident Parking Permit to DWP Deceased	21							0	£0	£0
233	03-Feb-23	Waiting List to Housing Tenants	5			1				0	£0	£0
242	03-Feb-23	Waiting List to Housing Benefit Claimants	5			2				0	£0	£0
243	03-Feb-23	Waiting List to Housing Benefit Claimants	15			4				0	£8,566	£0
259	03-Feb-23	Waiting List to Waiting List	10			4				0	£0	£0
261	02-Mar-23	Waiting List to DWP Deceased	13							0	£25,698	£0
435	02-Mar-23	Council Tax Reduction Scheme to Payroll	2							0	£0	£0
436	02-Mar-23	Council Tax Reduction Scheme to Payroll	56		41				7	0	£4,213	£18,575
436.1	02-Mar-23	Council Tax Reduction Scheme to Pensions	77	2	68				7	2	£2,054	£6,513
438.1	22-Dec-23	Council Tax Reduction Scheme to Pensions	1		1					0	£0	£0

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440	02-Mar-23	Council Tax Reduction Scheme to Payroll	9		8	1				0	£0	£0
446	02-Mar-23	Council Tax Reduction Scheme to Council Tax Reduction Scheme	4		3	1				0	£0	£0
450	26-May-23	Council Tax Reduction Scheme to Housing Tenants	1			1				0	£0	£0
459.1	02-Mar-23	Council Tax Reduction Scheme to Taxi Drivers	3		1					0	£0	£0
459.2	02-Mar-23	Council Tax Reduction Scheme to Taxi Drivers	1		1					0	£0	£0
459.6	02-Mar-23	Council Tax Reduction Scheme to Taxi Drivers	1		1					0	£0	£0
477	02-Mar-23	Council Tax Reduction Scheme to Housing Benefit Claimants	7		2					0	£0	£0
482	02-Mar-23	Council Tax Reduction Scheme to DWP deceased	21							0	£0	£0
701	03-Feb-23	Duplicate creditors by creditor name	8		6				2	0	£0	£0
702	03-Feb-23	Duplicate creditors by address detail	42		41				1	0	£0	£0
703	03-Feb-23	Duplicate creditors by bank account number	12		4	2			6	0	£0	£0
708	03-Feb-23	Duplicate records by amount and creditor reference	174		170	4				0	£0	£0
709	03-Feb-23	VAT overpaid	3		3					0	£0	£0
711	03-Feb-23	Duplicate records by invoice number and amount but different creditor reference and name	2			2				0	£0	£0
713	03-Feb-23	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	2		2					0	£0	£0
750	03-Feb-23	Procurement - Payroll to Companies House (Director)	5		5					0	£0	£0
483	02-Nov-23	Council Tax Reduction Scheme to HMRC Property Ownership	71	1	51		19			1	£0	£0
483.1	02-Nov-23	Council Tax Reduction Scheme to HMRC Earnings and Capital for Authority TONB00	16		15				1	0	£0	£0
483.2	02-Nov-23	Council Tax Reduction Scheme to HMRC Household Composition for Authority TONB00	54		7		3			44	£0	£0
9999		Multiple occurrence report	15		14	1				0	£0	£0
Totals			739	3	499	23	22	0	24	47	£40,531	£25,088

Percentage complete	94%
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Appendix 3 – Counter Fraud Referrals

Total number of referrals		Open referrals		Closed referrals		Referrals under investigation		Referrals awaiting sifting	
143		12		131		11		1	
Fraud area	No further action	Benefit amended / withdrawn	Caution	Prosecution	Permit revoked	Prevented	Housing application withdrawn	Recoverable overpayment	Penalties applied
Single person discount	6	2	0	0	0	0	0	£2,270	0
Council tax reduction only	2	2	0	0	0	0	0	£848	0
Council tax reduction with housing benefit	5	0	0	0	0	0	0	£0	0
Housing subletting	1	0	0	0	0	0	0	£0	0
National non-domestic rates	2	0	0	0	0	0	0	£0	0
Other	2	0	0	0	0	0	0	£0	0
TOTALS	18	4	0	0	0	0	0	£3,118	0
Source	No further action	Benefit amended / withdrawn	Caution	Prosecution	Permit revoked	Prevented	Housing application withdrawn	Recoverable overpayment	Penalties applied
Benefits	1	0	0	0	0	0	0	£0	0
CallCredit	0	1	0	0	0	0	0	£848	0
Housing	2	0	0	0	0	0	0	£0	0
Parking	3	1	0	0	0	0	0	£198	0
Revenues	2	0	0	0	0	0	0	£0	0
Opened cases closed within 3 months							12		
Opened cases closed between 3 and 6 months							5		
Opened cases closed over 6 months							7		
<i>All cases closed within 3 months</i>							116		
<i>All cases closed between 3 and 6 months</i>							5		
<i>All cases closed over 6 months</i>							10		
Percentage of referrals reviewed within 10 working days							69%		
Percentage of reviewed cases sifted within 10 working days							80%		

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Appendix 4 - Definitions

Audit Opinion

High

Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.

Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.

There are examples of best practice. No significant weaknesses have been identified.

Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.

Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.

Substantial

Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.

No Assurance

Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.

Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved

Adequate

Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.

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Prospects for Improvement		Issue Risk Ratings	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

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TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

22 July 2024

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 June 2024.
- Audit Deliverables in respect of the 2023/24 Accounts and Grants Audits.
- Sector Updates including:
 - Audit backstop update
 - LGA Improvement and Assurance Framework
 - State of Local Elections
 - Productivity Plans
 - Housing and Homelessness
 - Regeneration plans to 2030
 - Simpler Recycling

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 2023/24 Accounts is £147,460 compared to £61,099 for the 2022/23 audit, an increase of £86,361 or 141%. This is as a result of the newly tendered contract through PSAA.

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 updates

June 2024



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

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Introduction

Your key Grant Thornton team members are:

Sophia Brown

Key Audit Partner

E sophia.y.brown@uk.gt.com

T 020 7728 3179

Lucy Nutley

Senior Manager

E lucy.h.nutley@uk.gt.com

T 014 2123 0623

Bhekithemba Dlamini

Manager

E Bhekithemba.Dlamini@uk.gt.com

T 020 7728 3359

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

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider. 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/industries/public-sector/local-government/>

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 Sophia or Lucy.

Progress at June 2024

Financial statements audit

We undertook our initial planning for the 2023-24 audit in March 2024.

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 2024 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2023-24 financial statements. In finalising our planning and risk assessment procedures we have not identified any additional risks for the 2023-24 financial statements audit and the audit plan issued in April 2024 remains final.

We will commence work on the final audit of your financial statements for 2023-24 from 1 October 2024. Our work will be reported in the Audit Findings Report, and we will aim to give our opinion on the Statement of Accounts at the Audit Committee planned for January 2025. There are no matters to report as of the date of this report.

The deadline for publishing audited local authority accounts has been 30 September from 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 2023-24 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 VFM planning work will commence in September with delivery timescales to be agreed with management at the mobilisation stage.

Audit deliverables

Below are some of the audit deliverables planned for 2023-24.

2023-24 Deliverables	Planned date	Status
<p data-bbox="120 453 378 481">Council Audit Plan</p> <p data-bbox="120 501 1509 568">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 2023-24 financial statements.</p>	April 2024	Complete
<p data-bbox="120 627 533 655">Council Audit Findings Report</p> <p data-bbox="120 675 1099 703">The Council's Audit Findings Report will be reported to the Audit Committee.</p>	January 2025	Not yet due
<p data-bbox="120 730 456 759">Council Auditor's Report</p> <p data-bbox="120 778 819 807">This includes the opinion on your financial statements.</p>	January 2025	Not yet due
<p data-bbox="120 834 445 863">Auditor's Annual Report</p> <p data-bbox="120 882 1509 949">This report communicates the key outputs of the audit, including our commentary on the Council's Value for Money arrangements.</p>	January 2025	Not yet due

The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectation is to complete all necessary work by 31 December 2024.

Audit deliverables – grants

2023-24 Audit related deliverables

Housing Benefit Subsidy

- Certification 2023-24

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

Planned date

Status

December 2024

Not started

The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Sector updates

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing 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 show the current estimated financial trajectory of the sector, and 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Audit backstop – update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on 4 July 2024 puts this timetable in considerable doubt. The elected Government will have to decide if it wants to implement the backstop solution and, if so, determine the timetable by which it happens. In the meantime, we will continue with the timeframe for your 2023-24 audit as outlined in the Audit Plan, aiming to complete our work by the end of December 2024.

Page 164 Audit sign-offs update

As at the end of May 2024, we (Grant Thornton) have signed 136 2022-23 audits, representing 65% of our local government audited bodies. We envisage achieving a 75% sign-off rate by the end of September. This compares with a 7% sign-off rate for other firms at the end of May 2024 (18 audits). If the backstop is extended to the end of this calendar year, we envisage our completion figure to be an 80% completion rate.

We signed off 81% of our 2021-22 audits by the end of May 2024. Other firms signed off 48% of 2021-22 audits by the end of May 2024. We envisage achieving an 85% sign-off rate by the end of September 2024.

Audit year	Grant Thornton audits signed - May 2024	Forecast Grant Thornton audits to be signed - Sept 2024	Other firm audits signed
2022-23	65%	75%	7%
2021-22	81%	85%	48%
2020-21	92%	92%	81%

LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

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support councils to understand how to use the components within the framework and how they fit together;

increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs – of statutory or non-statutory intervention, whether by Oflog, central government or other regulators; and

- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.

- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

<https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0>



The State of the Locals

In April, shortly before the recent local government elections, a 'State of the Locals' report found that public trust in government at all levels is falling, but that public trust in local councillors and the local authorities they run is still almost twice as strong as public trust in the national UK government.

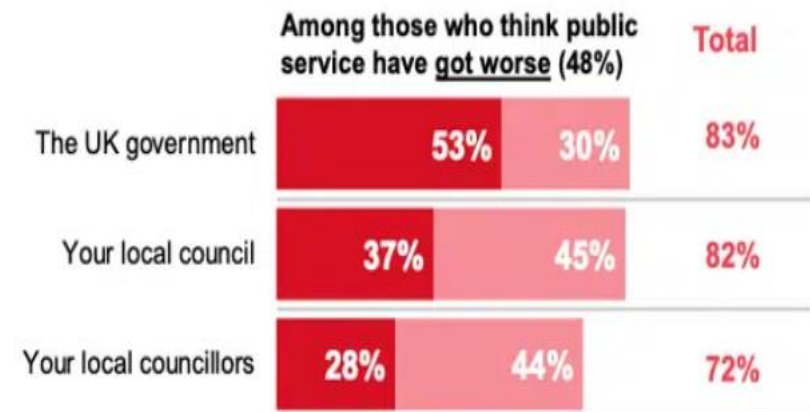
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that local authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe local authorities play a significant role in this (although not as great a role as national government); and do not always understand what local authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it's worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see [The State of the Locals 2024 - LGIU](#)

State of the Locals extract: Who do the public think are responsible?



Productivity plans – new guidelines revealed and a note of caution

On 16 April 2024, Local Government Minister Simon Hoare wrote to all Local authority chief executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround: resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but local authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to be returned to DLUHC by 19 July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the local authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

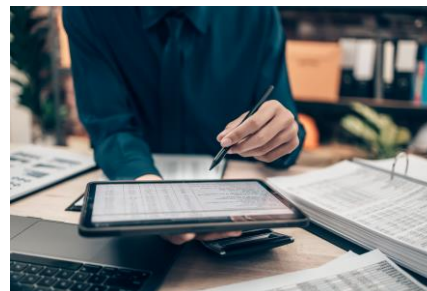
The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

[Government reveals guidelines for new council 'productivity plans'](https://www.localgovernmentlawyer.co.uk/government-reveals-guidelines-for-new-council-productivity-plans/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))

[Councils cry foul after Oflog data used for Times article on 'worst-performing councils'](https://www.localgovernmentlawyer.co.uk/councils-cry-foul-after-oflog-data-used-for-times-article-on-worst-performing-councils/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))



Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29 April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the ‘continuing chronic shortage’ of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

- 4.8% increase in overall initial assessments for homelessness year on year;
- 15.8% increase in households owed a relief duty this year compared to last;
- 15.3% increase in households owed a main homelessness duty;
- 12.1% increase in households in temporary accommodation; and
- 15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109m will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30 April, local authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated ‘hope value’ costs. ‘Hope value’ estimates the cost land could be worth if it was developed on in the future, often meaning that local authorities have been forced to pay potentially thousands more to buy the land they need for housing and/or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

[The Finances and Sustainability of the Social Housing Sector \(parliament.uk\)](https://www.parliament.uk/publications/2024/01/levelling-up-housing-and-communities-committee-report-on-the-finances-and-sustainability-of-the-social-housing-sector)

For the latest statistics on homelessness and households in temporary accommodation, see [Statutory homelessness in England: October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2023)

For details of the new reform around hope values, see [New powers for councils to help build more affordable homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-powers-for-councils-to-help-build-more-affordable-homes)

Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8 May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to local authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as “the hinge around which regeneration actors revolve.” Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see <https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/>



Simpler Recycling – new rules

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9 May 2024 that simpler recycling rules are going to be introduced. Local authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, local authorities need to prepare for:

Standardisation – All local authorities in England will be required to collect a consistent set of recyclable materials: plastics; glass; metals; paper and card; and food waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.

- A three-bin arrangement – ‘Dry recycling’ items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.
- Weekly and fortnightly requirements – Food waste collection will be required weekly. Local authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three-weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and local authorities will need to be ready. Important steps to take now are:

- Review and update your Council’s Waste Management Strategy;
- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;
- Explore whether the changes in themselves generate new income opportunities; and
- Assess the readiness of contract delivery partners.

For DEFRA’s comments on the reform, see [Simpler bin collections for England to boost recycling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/simpler-bin-collections-for-england-to-boost-recycling)



Audit committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

Agenda Item 14

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

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Agenda Item 15

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 16

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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