

# TONBRIDGE & MALLING BOROUGH COUNCIL



## EXECUTIVE SERVICES

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**Chief Executive**  
Damian Roberts

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

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

13 September 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, 23rd September, 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 - 8

### PART 1 - PUBLIC

2. Apologies for absence

3. Notification of Substitute Members 9 - 10
4. Declarations of interest 11 - 12

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

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

5. Minutes 13 - 18

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 22 July 2024.

6. Local Authority Property Fund

Members to receive a presentation on the Local Authority Property Fund.

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

7. Treasury Management Update and Mid-Year Review 2024/25 19 - 40

This report provides an update on treasury management activity undertaken during the period April to July of the current financial year and incorporates a mid-year review of the Treasury Management and Annual Investment Strategy for 2024/25.

8. Risk Management 41 - 62

The report provides an update on the risk management process and the Strategic Risk Register. An update is also provided in respect of the Zurich Risk Management Review which was presented to Members in January 2024.

9. Progress with Recommendations from Auditor's Annual Report (Value for Money) 2022/23 63 - 70

The report updates Members on the progress in addressing the recommendations made in the 2022/23 Auditor's Annual Report.

#### **Matters for Decision under Delegated Powers**

10. Local Audit Backlogs - National Timetable 71 - 76

The report provides an update on the timetable for audits following receipt of a letter from the new Minister of State for Housing, Communities and Local Government.

### **Matters submitted for Information**

11. Internal Audit and Counter Fraud Update 77 - 96
- The report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.
12. Grant Thornton Audit Progress Report and Sector Update 97 - 116
- A progress report and update on emerging national issues and developments from the external auditor, Grant Thornton.
13. Urgent Items 117 - 118
- 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**

14. Exclusion of Press and Public 119 - 120
- The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

### **PART 2 - PRIVATE**

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

15. Insurance Claims History 121 - 124
- (Part 2 Reasons: LGA 1972 – Sch 12 A Paragraph 3 – Financial or business affairs of any particular person)
- The report provides information as to the nature and volume of liability and property damage insurance claims submitted until 31 August 2024.
16. Urgent Items 125 - 126
- 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) Most of the Borough Council meetings are livestreamed, unless there is exempt or confidential business being discussed, giving residents the opportunity to see decision making in action. These can be watched via our YouTube channel. When it is not possible to livestream meetings they are recorded and uploaded as soon as possible:

<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](mailto:committee.services@tmbc.gov.uk) in the first instance.

### **Attendance:**

- Members of the Committee 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 Chair, 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 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 should attend in person. However, arrangements to participate online can be considered in certain circumstances. Please contact [committee.services@tmbc.gov.uk](mailto: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.

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<b>Audit Committee</b>					
	<b>Conservative</b>	<b>Liberal Democratic</b>	<b>Green</b>	<b>Ind. Kent Alliance</b>	<b>Labour</b>
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		
<b>Members of Cabinet cannot be appointed as a substitute to this Committee</b>					

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

#### MINUTES

Monday, 22nd July, 2024

**Present:** 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 and Cllr B A Parry

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

#### PART 1 - PUBLIC

##### **AU 24/23 NOTIFICATION OF SUBSTITUTE MEMBERS**

There were no substitute members.

##### **AU 24/24 DECLARATIONS OF INTEREST**

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

##### **AU 24/25 MINUTES**

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

#### MATTERS FOR RECOMMENDATION TO COUNCIL

##### **AU 24/26 LOCAL CODE OF CORPORATE GOVERNANCE**

The joint report of the Chief Executive and the Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance.

The Local Code was last reviewed in July 2023. The proposed changes to the Local Code were relatively minor in nature and the revised Code was attached as Annex 1 to the report.

During discussion, it was requested that litigation be included in future to demonstrate that checks were undertaken to ensure that procedures were being followed and were reviewed to ensure their effectiveness in determining the outcome.

In terms of the effectiveness of the internal audit service and Audit Committee, although it was recognised that the Annual Report of the Audit Committee reported the effectiveness of the Committee, it was suggested that consideration be given to Grant Thornton undertaking a review of the Committee's effectiveness.

**RECOMMENDED\*:** That the amendments to the Local Code of Corporate Governance, as set out at Annex 1 to the report, be approved and commended to Council for adoption.

**\*Referred to Council**

**AU 24/27 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2023/24**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to May of the current financial year. The treasury management outturn position for 2023/24 was also set out.

The report provided an assessment of the current economic situation and interest rate forecasts together with a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances. A full list of investments held on 31 May 2024 was set out in Annex 1 to the report.

Members received an update on the Lothbury Property Trust, who 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. The first tranche in respect of TMBC's holdings had been paid back on 5 June 2024 and a further tranche on 5 July 2024. Additional funds would be distributed as and when assets were sold and dividends would continue to be paid on income generating assets whilst the fund was in the process of securing the sale of assets.

Member's attention was drawn to the Treasury Management Annual Report for 2023/24 as set out at Annex 4 which provided a summary of the investment performance. The combined performance of the Authority's investments exceeded the revised estimate by £866,137, and £1.272m when compared to the 2023/24 original estimates mainly due to the Bank Rate being held at 5.25% for longer than expected in 2023/24.

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

- (1) the action taken in respect of treasury management activity for April to May 2024 be endorsed; and

(2) the 2023/24 outturn position be noted.

**\*Referred to Council**

## **MATTERS FOR RECOMMENDATION TO THE CABINET**

### **AU 24/28 RISK MANAGEMENT**

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

The executive summary of the RED risks was attached at Annex 1 of the report and a full update of the current strategic risks and how they were being managed as at the time of the report being written was attached at Annex 1a.

Members received an update on the risk management process and the Strategic Risk Register (SRR). In April 2024, there were 4 risks categorised as RED as summarised below:

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

Following the detailed training the Committee received earlier in the year, together with the recommendations made by the risk consultant from Zurich, Management Team had 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. A number of changes had been made to the current Register, including the deletion of some risks that were no longer felt to be strategic risks and the titles of some of the risks. The risks deleted were:

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

The RED risks at the time of the publication of the report were:

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

A schedule of ongoing risks identified by Service Management Teams and Management Team since the last report to the Committee in January 2024 was set out in Annex 2 of the report.

During discussion, Members were advised of the potential risks associated with the continuation of the Local Plan at this stage and were reminded of the importance of an effective Local Plan to manage development.

**RECOMMENDED\*:** That

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

**\*Referred to Cabinet**

### **MATTERS FOR DECISION UNDER DELEGATED POWERS**

#### **AU 24/29 ANNUAL GOVERNANCE STATEMENT 2023/24**

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2024 which was certified by both the Leader of the Council and the Interim Chief Executive on 31 May 2024 and would accompany the Council's Statement of Accounts 2023/24.

The Annual Governance Statement, attached at Annex 1, had been prepared by way of a self-assessment questionnaire and supporting evidence to demonstrate that there was a sound system of corporate governance in place throughout the organisation.

Members attention was brought to the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment.

**RESOLVED:** That the Annual Governance Statement for the year ended 31 March 2024, as set out at Annex 1 to the report, be endorsed.

#### **AU 24/30 STATEMENT OF ACCOUNTS 2023/24**

The report of the Director of Finance and Transformation presented 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. Attention was drawn to the Statement of Accounts at Annex 1 which had been circulated separately.

The final contribution to the General Revenue Reserve was in the region of £1.3m, which was £63k more than expected at final estimates. This was predominantly due to the levels of investment income that were able to be achieved over the last year alongside higher levels of income from other Council sources.

The Council's net worth increased by £8.9m in 2023-24 due to a number of factors, significantly the £3m reduction in pension liability due to asset returns having been higher than expected, the increase of heritage asset values by £2.9m based on the Council's insurance valuations for the year.

Overall there had been an increase in the value of the authority's assets, however it was noted that the Council's property and equipment had decreased in value this year, primarily due to the homelessness properties being considered to be social housing and therefore valued using the local housing allowance. These properties had previously been held within the asset register at their purchase price. Other changes in asset values included an increase in the value of industrial units by £866k. These units were being leased to predominantly secure tenants which had led to an increase in their value. Industrial yields were currently reporting between 5-7.25% but being prudent 4-5% had been applied to these properties.

During discussion, concern was raised regarding the 'backlog' issues nationally and the impact on the Council's audit of the 2023-24 accounts and it was noted that the External Auditors from Grant Thornton confirmed that the final accounts audit would start as of 1 October 2024.

**RESOLVED:** That

- (1) the unaudited set of Accounts for 2023/24 be noted and endorsed; and
- (2) the Statement provided by the Director of Finance and Transformation in support of assertions made in the Statement of Responsibilities for the Statement of Accounts, as set out at Annex 3 to the report, be noted.

#### **AU 24/31 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The report of the Chief Audit Executive informed the Committee of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2023/24. Members were advised that the Management Team had considered the outcome of the review and concluded that the opinion on the effectiveness of the Internal Audit function in place for the year 2023/24 was Good.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2023/24 was Good, be endorsed.

**MATTERS SUBMITTED FOR INFORMATION**

**AU 24/32 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**

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control together with the Internal Audit work completed during 2023/24 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2023/24.

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

**AU 24/33 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report of the Director of Finance and Transformation introduced a progress report on the audit of the 2023/24 accounts and update on emerging national issues and developments from the external auditor Grant Thornton.

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

**AU 24/34 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 8.41 pm

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 2024

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

#### Part 1- Public

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

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

The report provides an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2024/25 is also included in this report.

#### 1.1 Introduction

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

1.1.2 The primary requirements of the Code are as follows:

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

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

- An economic update and interest rate forecast.
- Investment performance for April to July of the 2024/25 financial year including recent benchmarking data.
- Compliance with Treasury and Prudential Limits for 2024/25.
- A review of the risk parameters contained in the 2024/25 Treasury Management and Annual Investment Strategy.

## 1.2 Economic Overview (as at July 2024)

1.2.1 The Bank of England's Monetary Policy Committee (MPC) was in recess for the month of July but it was anticipated that by the time it met again in early August, a vote in favour of a reduction by 0.25% to bank rate may be passed. The Bank's current forecast reflects:

- Monetary policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated further. The Committee continues to monitor closely the risks of inflation persistence and will decide the appropriate degree of monetary policy restrictiveness at each meeting.
- Twelve-month CPI inflation was at the MPC's 2% target in both May and June.
- CPI inflation is expected to increase to around 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison, revealing more clearly the prevailing persistence of domestic inflationary pressures.
- In the MPC's modal projection conditioned on the market-implied path of interest rates, CPI inflation falls back to 1.7% in two years' time and to 1.5% in three years, reflecting the continued restrictive stance of monetary policy and the emergence of a margin of slack in the economy. CPI inflation is 2.0% and 1.8% at the two and three-year horizons respectively. The risks around the modal CPI projection are skewed somewhat to the upside throughout the forecast period, reflecting more persistence in domestic wage and price-setting.
- GDP expanded 0.7% y/y in June 2024 half the 1.4% growth seen in May and slightly below forecasts of 0.8%. The economy stalled in June from May 2024, following a 0.4% growth in the previous period, and matching market forecasts.
- The economy expanded 0.9% y/y in Q2 2024, the biggest annual growth rate since Q3 2022, compared to 0.3% in Q1, and q/q by 0.6% in Q2 2024, following a 0.7% rise in Q1 and in line with forecasts.
- The annual inflation rate in the UK edged up to 2.2% in July 2024 from 2% in June, but below forecasts of 2.3%.
- The number of people employed in the UK increased by 97k in the three months to June 2024, growing for the second consecutive period after a 19k rise in the previous three months.



- The UK's unemployment rate fell to 4.2% from April to June 2024, down from a two-and-a-half-year high of 4.4% in the previous period and below market forecasts of 4.5%. The number of unemployed individuals decreased by 51k to a total of 1.44m, driven by declines in those unemployed for up to 6 months, bringing the figure below last year's levels.

### 1.3 Interest Rate Forecast

- 1.3.1 Link's forecast used in the 2024/25 Investment Strategy which was approved as part of the budget setting process assumed interest rates would peak at 5.25% before gradually dropping back to 3% over the next three years. There has been a minor adjustment to the reprofiling toward the end of the three year period.
- 1.3.2 Since the approval of the 2024/25 Investment Strategy CPI inflation has continued to fall back. After seven consecutive meetings where the MPC voted to hold Bank Rate at 5.25%, July's meeting saw the Committee vote in favour of a reduction bringing the Bank Rate to 5.0%.

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

Table 1

- 1.3.3 The latest forecast in Table 1 above sets out the view that both short and long-dated interest rates are expected to decrease gradually over the next two years, settling at 3%.
- 1.3.4 The Link Group reviewed their interest rate projections in July and concluded no further changes to the forecast is needed at this time.

### 1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long and medium term cash balances.

- 1.4.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2024/25 cash flow surpluses have averaged £20.92m.
- 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 2023/24 and future years.
- 1.4.6 Long term investment at the end of July 2024 comprised £4.22m in property fund investments.
- 1.4.7 Medium term investments at the end of July 2024 comprised £4.25m in multi asset fund investments.
- 1.4.8 The full list of investments held on 31 July 2024 is provided at **[Annex 1]** and a copy of our lending list of 31 July 2024 at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of July.

	Funds invested on 31 July 2024	Average duration to maturity	Weighted average rate of return	SONIA benchmark July 2024	Interest / dividends earned	Gross annualised return
	£m	Days	1 April to 31 July 2024 %	%	1 April to 31 July 2024 £	%
Cash flow	20.92	5	5.23	5.15	439,420	5.41
Core cash	30.00	148	5.34	5.09	552,220	5.53
Long term	4.22				40,320	3.21
Medium term	4.25				58,980	4.16
<b>Total</b>	<b>59.39</b>				<b>1,090,940</b>	<b>--</b>

Table 2

*Property funds pay dividends quarterly. The return quoted above is based on dividends received for the quarter April to June 2024.*

- 1.4.9 **Cash flow and Core cash Investments.** Interest earned of £991,640 to the end of July is higher than the original estimate for the same period. The increase in income reflects the interest rate maintained at 5.25% for longer than anticipated, providing the Council with favourable investment opportunities.
- 1.4.10 Future investments are expected to yield lower investment income now that markets are factoring in future cuts to the bank rate in 2024/25 and 2025/26, with the rates expected to settle around the 3% marker. Investment income for 2024/25 is expected to have a positive variance against the original budget and further analysis will take place and the revised level of treasury investment income will be reported to members at a later date.
- 1.4.11 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 31 June 2024, the Council's return was 5.39% (purple diamond) which is above the local authority benchmarking group average of 5.22%. Link's predicted return is between the upper and lower boundary indicated by the diagonal lines. The Council's risk exposure was consistent with the local authority average.
- 1.4.12 **Long term Investment.** The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and commercial property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.
- 1.4.13 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments could be made in the future as resources become available from asset disposals and other windfalls.
- 1.4.14 During the period 1 April 2024 to 30 June 2024 the £4.22m investment in property funds generated dividends of £40,320 which represents an annualised return of 3.21% (3.63% in 2023/24). The long term investment figure set out in Table 2 has been reduced to take into account the repayment of capital investment from the sale of assets by Lothbury Property Trust, which terminated on 30 May 2024.
- 1.4.15 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.

1.4.16 Current sale values vs initial purchase price are as follows:

<b>Property fund</b> <small>(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)</small>	Purchase price	Sale value at date of purchase	Sale value 31 July 2024	31 July sale value above (below) purchase price (c-a)
	a	b	c	
	£	£	£	£
LAPF (Primary, July 2017)	1,000,000	922,200	875,670	(124,330)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	874,600	(125,400)
LAPF (Primary, June 2018)	1,000,000	922,200	839,600	(160,400)
<b>Total change in principal</b>	<b>3,000,000</b>	<b>2,783,400</b>	<b>2,589,870</b>	<b>(410,130)</b>
			<b>Total dividends received to June 2024</b>	<b>768,040</b>
			<b>Net benefit since inception</b>	<b>357,910</b>

Table 3

1.4.17 Since inception, the Council has received dividends from its property fund investments (excluding Lothbury Property Trust) of £768,040, providing a net benefit of £357,910 (Table 3). All property fund investments recorded capital depreciation in the period April 2024 to June 2024.

<b>Property fund</b> <small>(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)</small>	Purchase price	Sale value at date of purchase	Principal Investment Received	Principal Investment Balance Outstanding
	a	b	c	
	£	£	£	£
Lothbury Property Trust	2,000,000	1,900,700	853,850	(1,146,150)
			<b>Total dividends received to June 2024</b>	<b>360,220</b>
			<b>Net balance to breakeven point</b>	<b>(785,930)</b>

Table 4

1.4.18 Lothbury Property Trust terminated on 30 May 2024 after negotiations to merge the fund were unsuccessful. As per Table 4 above, we have, to date, received three payments totalling £853,850 of our initial investment. The remaining assets are expected to be sold by December 2024, distributions will be made as and when asset sales have concluded, and dividends paid from income generating assets. Taking into account the dividends received from the inception of the fund, the breakeven point would be the recovery of £785,930 against the outstanding assets for sale.

- 1.4.19 At the end of June 2024 Hermes Property Trust, having received a redemption request for approximately 22% of the fund, announced they would be seeking investor approval on a proposal to gate the fund. The EGM vote was 71.3% in favour of the resolution which was short of the 75% needed to pass. The Fund has appointed CBRE Capital Advisors to provide an independent report on options available which should be distributed by the end of September 2024. Further updates will be shared with Members in due course.
- 1.4.20 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.
- 1.4.21 **Medium term Investment.** In recent years multi asset (diversified income) funds have grown in popularity. The rationale for adopting such a fund was explored in the Audit Committee report of January 2018 and their use for medium-term investment was reaffirmed in the January 2021 Audit Committee report which introduced multi-asset (diversified income) funds into the Annual Investment Strategy.
- 1.4.22 Like property funds, multi asset (diversified income) funds aim to generate returns over and above inflation and thus preserve spending power.
- 1.4.23 In 2021/22 the Council invested a total of £4.25m across Ninety One Diversified Income Fund, Aegon Asset Management Fund and Fidelity Multi Asset Income Fund. Additional multi asset fund investments could be made in the future when resources become available from asset disposals and other windfalls.
- 1.4.24 During the period 1 April 2024 to 31 July 2024 the £4.25m investment in multi asset (diversified income) funds generated income from dividends of £58,980 which represents an annualised return of 4.16%. The performance of the cumulative funds fall slightly short of the budget to the end of July by £2,180.

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

- 1.5.1 Throughout the period April to July 2024 all of 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 ratings; duration limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April to July 2024.
- 1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **[Annex 4]** to this report.

## 1.6 Review of Risk Parameters

- 1.6.1 Members will recall the detailed consideration that was given to the 2024/25 Treasury Management and Annual Investment Strategy at Audit Committee in January. For ease of reference the parameters included in the Strategy that aim to limit the Council's exposure to investment risks are summarised in **[Annex 5]**.
- 1.6.2 In undertaking this review **no changes to the current approved risk parameters are proposed at this time. However, future consideration will be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.** The Strategy ensures that the Council is investing in high credit quality counterparties and there are an adequate number of counterparties available to maintain a well-diversified portfolio. However, we will continue to look to expand the Council's lending list to include any UK banks and building societies that don't currently feature on our lending list but meet our minimum credit criteria. This will ensure that we can take advantage of all available opportunities as they arise.
- 1.6.3 There is a need to continue to explore alternative investment options to ensure the maximum return on investment for the Council. Subject to an understanding and acceptance of any associated risks with such investments, they may be offered for inclusion in next year's Annual Investment Strategy. Any investment will of course be dependent on the level of reserves and other balances available for such an investment.

## 1.7 Legal Implications

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

## 1.8 Financial and Value for Money Considerations

- 1.8.1 CPI inflation in both May and June was at the MPC's 2% target. However, it is expected to increase to around 2.75% in the second half of the year which will reveal more clearly the persistence of domestic inflationary pressures. This in turn could influence the rate at which the MPC reduces bank rate further.
- 1.8.2 Link, the independent treasury advisers to the Council, reviewed their July 2024 Bank Rate forecast (Ref: 1.3.2, Table 1) and concluded there was no need for a further adjustment at this time.
- 1.8.3 Investment income at the end of July 2024 from cash flow surpluses and core cash investments is a favourable variance of £288,640 to the budget for the same period. Income from property funds at the end of June falls short of the budget by £21,350 mainly attributable to reduced dividends received from Lothbury as their

asset base reduces. Diversified income funds are marginally lower than the budget by some £2,180 for the same period. Investment income for the financial year as a whole from these sources is expected to outperform the original budget.

- 1.8.4 Performance is monitored against a benchmark return and 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 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 a five-year timeframe.
- 1.8.8 The money being applied to property fund investment and multi asset investments from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard given to the potential for a fund to delay payment of redemption requests by up to twelve months. Funds will seek to minimise their cash balances in favour of holding property or assets and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

## **1.9 Risk Assessment**

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

## **1.10 Equality Impact Assessment**

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

## 1.11 Recommendations

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

- 1) Endorse the action taken by officers in respect of treasury management activity for April to July 2024.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Donna Riley

[Link benchmarking data \(June 2024\)](#)

[Link interest rate forecast \(July 2024\)](#)

Sharon Shelton  
Director of Finance and Transformation



## Tonbridge and Malling Borough Council - Investment summary 31 July 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 %				
<b>Banks, Building Societies &amp; Other Financials</b>														
<b>Barclays Bank :</b> 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000 3,000,000	5.30	5.05%			3,000,000	
<b>Close Brothers :</b> Fixed Term Deposit	UK	BBB+	F2	N/A	27/02/2024	27/11/2024	6 Months	3,000,000 3,000,000	5.35	5.05%			3,000,000	
<b>Handelbanken :</b> Fixed term deposit	UK	AA	F1+	1 year	17/01/2024	17/01/2025	1 Year	3,000,000 3,000,000	4.70	5.05%			3,000,000	
<b>HSBC Bank :</b> 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	3,000,000 3,000,000	5.25	5.05%	3,000,000			
<b>Lloyds Bank :</b> Certificate of Deposit	UK	A+	F1	6 months	15/11/2023	14/11/2024	1 Year	3,000,000 3,000,000	5.66	5.05%			3,000,000	
<b>National Westminster Bank :</b> Deposit account Certificate of Deposit Certificate of Deposit	UK	A+	F1	1 year	31/07/2024 06/02/2024 20/06/2024	01/08/2024 06/08/2024 20/06/2025	Overnight 6 months 1 Year	50,000 3,000,000 3,000,000	3.25 5.31 5.15	10.19%	50,000		3,000,000 3,000,000	
<b>Rabobank :</b> Certificate of Deposit Certificate of Deposit	Netherlands	A+	F1	1 year	03/11/2023 23/07/2024	01/11/2024 22/07/2025	12 months 12 months	3,000,000 3,000,000	5.62 5.13	10.10%			3,000,000 3,000,000	
<b>Toronto Dominion Bank :</b> Certificate of Deposit Certificate of Deposit	Canada	AA-	F1+	1 year	06/10/2023 20/12/2023	04/10/2024 19/12/2024	1 year 1 year	3,000,000 3,000,000	5.89 5.23	10.10%			3,000,000 3,000,000	
<b>Money Market Funds</b>														
<b>Blackrock MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/07/2024	01/08/2024	Overnight	0	5.16		-			
<b>BNP Paribas MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/07/2024	01/08/2024	Overnight	8,000,000	5.26	13.47%	8,000,000			
<b>CCLA PSDF MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2024	01/08/2024	Overnight	1,875,000	5.18	3.16%	1,875,000			
<b>DWS Deutsche MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2024	01/08/2024	Overnight	0	5.18		-			
<b>Federated MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2024	01/08/2024	Overnight	8,000,000	5.21	13.47%	8,000,000			
<b>Morgan Stanley MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2024	01/08/2024	Overnight	0	5.15		-			
<b>Property Funds</b>														
<b>Hermes Property Unit Trust :</b> Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000 1,000,000	3.48	1.68%				1,000,000
<b>Local Authorities' Property Fund :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	29/06/2017 30/05/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	4.17 5.20	3.37%				1,000,000 1,000,000
<b>Lothbury Property Trust :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	06/07/2017 02/07/2018	N/A N/A	N/A N/A	1,219,432 219,432 1,000,000	2.89 2.88	2.05%				219,432 1,000,000
<b>Multi Asset Funds</b>														
<b>Aegon</b> Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000 1,750,000		2.95%			1,750,000	
<b>Fidelity</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000 1,000,000		1.68%			1,000,000	
<b>Ninety One</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000 1,500,000		2.53%			1,500,000	
<b>Total invested</b>								<b>59,394,432</b>		<b>100.00%</b>	<b>20,925,000</b>	<b>30,000,000</b>	<b>4,250,000</b>	<b>4,219,432</b>

<b>Number of investments</b>	26	<b>Average investment value £</b> 2,284,000			
<b>Number of counter parties</b>	20	<b>Average counter party investment £</b> 2,970,000			
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>
<b>Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)</b>		6,000,000	50,000	6,050,000	10.19
<b>Bank of Scotland + Lloyds (MAX 20%)</b>		3,000,000	-	3,000,000	5.05
				<b>£</b>	<b>%</b>
<b>Property Funds Total</b>				4,219,432	7.10
<b>Multi Asset Funds Total</b>				4,250,000	7.16

<b>Total non-specified investments should be less than 60% of Investment balances</b>	14.26%
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**Notes:**  
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2024.

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 26/07/24 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
<b>UK Banks, Building Societies and other Financial Institutions :</b>								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	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
<b>Non-UK Banks :</b>								
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.								

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

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

Approved by Director of Finance and Transformation 31 July 2024	No change
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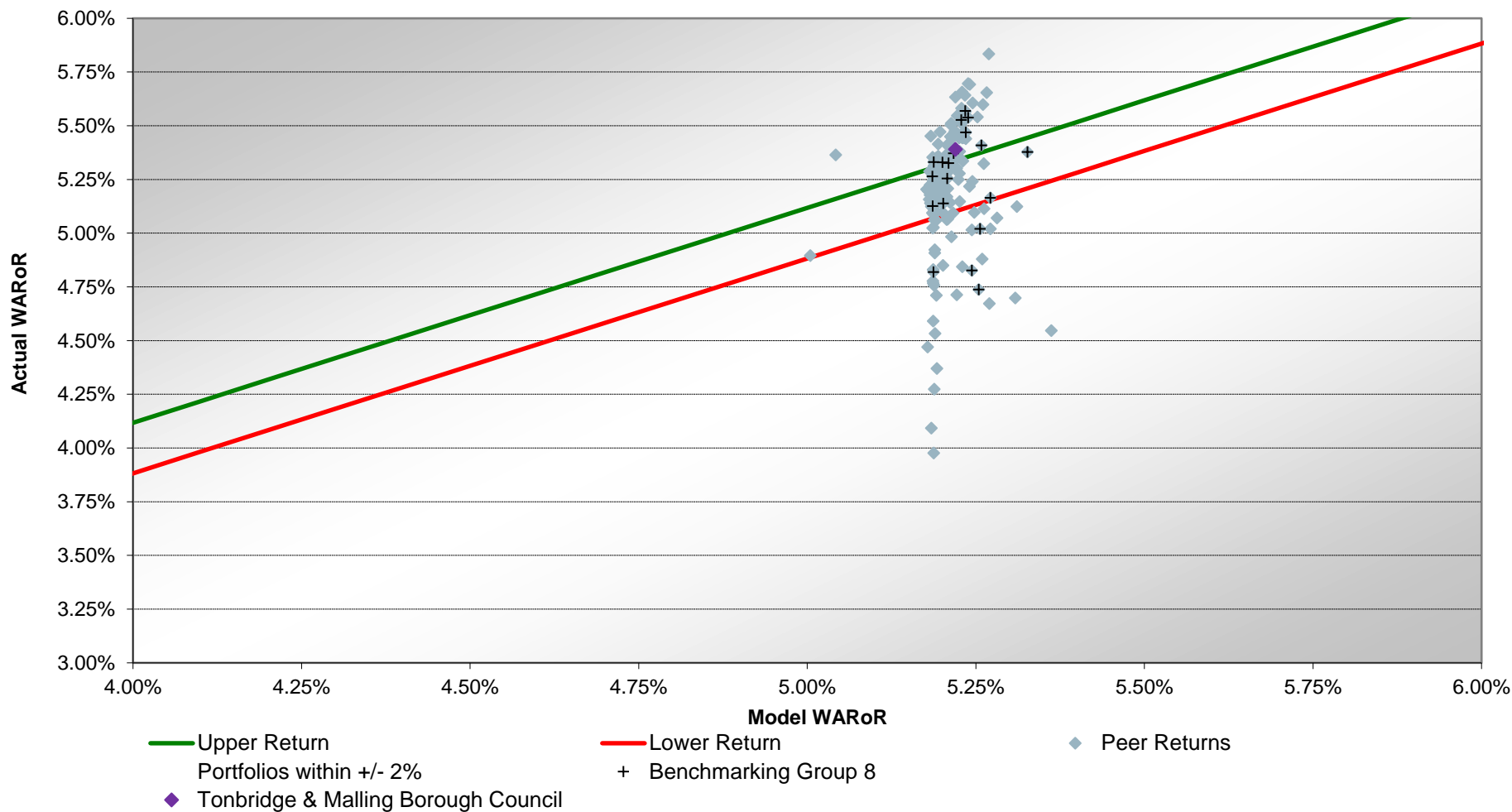
Note: Australia & New Zealand Banking Group added 17/05/2023

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



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Tonbridge & Malling Borough Council	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
	5.39%	5.22%	0.17%	5.10%	5.34%	Above

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## Prudential and Treasury Indicators

Prudential Indicators	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Capital expenditure	2,372	9,113	1,060
Ratio of financing costs to net revenue stream	-21.90%	-13.13%	-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	nil	nil	nil

TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	nil	7,000	7,000	7,000	7,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	7,000	7,000	7,000	7,000
Operational Boundary for external debt:-					
borrowing	nil	4,000	4,000	4,000	4,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	4,000	4,000	4,000	4,000
Actual external debt	nil	nil	nil	nil	nil
Upper limit for fixed interest rate exposure > 1 year at year end	nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for fixed interest rate exposure < 1 year at year end	32,000 (58.0%)	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	13,916 (25.3%)	It is anticipated that exposure will range between 20% to 100%			
Upper limit for total principal sums invested for over 365 days at year end	9,250 (16.7%)	60% of funds			

Maturity structure of fixed rate borrowing during 2024/25 – 2026/27	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

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## 2024/25 Annual Investment Strategy Risk Parameters

The strategy includes parameters that aim to limit the Council's exposure to investment risks by requiring investments to be placed with high credit rated financial institutions and that those investments are diversified across a range of counterparties. More specifically the 2024/25 Strategy requires:

- Counterparties must be regulated by a Sovereign rated AA- (UK minimum of A-) or better as recognised by each of the three main rating agencies (Fitch, Moody's, and Standard & Poor's).
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.
- Exposure to individual counterparties and groups of related counterparty must not exceed 20% of funds or 10% of funds if a housing association.
- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (highest).
- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.
- The duration of an investment in a foreign bank must not exceed Link's post CDS recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices have been modified to ensure that where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.

- Money Market funds should be rated AAA and exposure limited to no more than 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.
- Enhanced Cash Funds and Government Liquidity Funds will be AAA rated and ultra-short duration bond funds rated AA or higher. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.
- Exposure to non-credit rated property funds is limited to a maximum of £3m per fund (no more than 20% of expected long term cash balances). No cash limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property assets or other windfalls.
- Exposure to non-credit rated diversified income (multi-asset) funds and or short dated bond funds is limited to a maximum of £3m per fund (no more than 20% of expected long term cash balances) across all such funds. No cash limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property assets or other windfalls.

All specified and non-specified Investments will be:

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

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

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

Sterling denominated.

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

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

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

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

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 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. An update is also provided in respect of the Zurich Risk Management Review which was presented to Members in January 2024.**

#### 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 For completeness the risks that were categorised as RED at the time of the July meeting of this Committee is given below.

- 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

- 1.3.3 As Members were advised at the last meeting, Management Team undertook 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.**

- 1.3.4 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.

- 1.3.5 The RED risks at the time of publishing this report continue to be:

- 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

1.3.6 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]**.

1.4.3 Senior officers will be undertaking mandatory training with the Risk Consultant in October. Risk management appears as an agenda item for all Service Management Teams and Corporate Management Team meetings.

#### **1.5 Zurich Risk Management Review**

1.5.1 Members might recall that earlier in the year Zurich Risk Management undertook a Risk Management Health Check. Details were reported to the January meeting of this Committee. The report identified 12 recommendations for improvement.

1.5.2 **[Annex 3]** to the report gives an update with progress on addressing these recommendations. The majority of the recommendations had a target implementation date of January 2025.

1.5.3 Management Team has agreed that it is appropriate that the Director of Finance & Transformation should be designated the officer 'Risk Champion'. The Director of Finance and Transformation will chair meetings of a group of officers who have been nominated as risk champions from across all Service areas; and it is the intention that this group will progress and deliver the outstanding recommendations.

1.5.4 In terms of a Member 'Risk Champion', it would seem appropriate for this to fall within the purview of the Chair of the Audit Committee given that it is this Committee which is responsible for overseeing risk management. An alternative option might be the Cabinet Member for Finance & Housing. Members are asked to **RECOMMEND** to Cabinet who should be nominated as the Member Risk Champion.

1.5.5 Officer training of risk management will be undertaken in October. Once this has occurred, a meeting of the Risk Champions will be convened to take forward the remaining recommendations and action points from the Review. A further report will come back to the Audit Committee when it meets in January.

## 1.6 Legal Implications

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

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

## 1.7 Financial and Value for Money Considerations

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

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

## 1.8 Risk Assessment

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

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

## 1.9 Equality Impact Assessment

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

## 1.10 Policy Considerations

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

## 1.11 Recommendations

1.11.1 Members are asked to

- 1) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED;
- 2) **NOTE** the progress towards the delivery of recommendations from the Zurich Risk Management Review;



- 3) **CONSIDER** whether the Chair of this Committee should be recommended as the Member 'Risk Champion'.

Background papers:

contact: Sharon Shelton

Nil

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
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  Savings, new income and transformation contributions of £820k accrued to date (report to FRPSSC Sept 24 refers) but negated by growth of £96. However, this means overachievement of savings against the in year target of £305k.	3	3	9	The priorities and focus of the incoming government 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. Intelligence gathering and responses to any consultations prior to Spending Review will be important. Cabinet have been asked in report of 3 September to consider involving Members of Scrutiny Select Committees in identification of options for achievement of savings. Update of MTFS and achievement of savings will be reported to Cabinet and Select Committee in November	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	↔	Oct-24
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 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.  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	↔	Oct-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  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	2	2	4	Further escalation of issues to Agile CEO  Agreement of revised Land Charges implementation programme 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	↔	Oct-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.  Use of contract frameworks where appropriate.  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  Corporate Training arranged for staff	Procurement Strategy. Compliance with legislation. Health and Safety.	Director of Street Scene, Leisure & Technical Services	↔	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
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"> <li>Carried out audit review of procedures to identify and address weaknesses</li> <li>Provided training to all licenced Dual, Hackney Carriage and Private Hire Drivers</li> <li>Provides a secure database for the recording and sharing of safeguarding concerns.</li> <li>Officer Study Group with safeguarding champions across services who are able to provide advise and support regarding safeguarding issues</li> <li>Management Team have approved the recruitment of a dedicated safeguarding officer (Interviews taking place Sept 2024).</li> </ul> <p>Training provided to staff</p>	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings.</p> <p>Undertake actions from the latest Safeguarding Audits/ Self Assessments.</p> <p>Recruitment of dedicated Safeguarding Officer</p>	Safeguarding Policy	Chief Executive	↔	Mar-25
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"> <li>Failure to maximise New Homes Bonus (for as long as it exists).</li> <li>Assessment of the current economic implications of higher inflation and interest rates</li> <li>Failure to deliver identified savings / Additional income</li> </ul>	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"> <li>Treasury Management and Investment Strategy.</li> <li>Robustness of estimates and adequacy of reserves (s25 statement)</li> <li>Medium Term Financial Strategy (MTFS)</li> <li>Savings and Transformation Strategy (STS)</li> </ul> <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"> <li>Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs</li> <li>Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool.</li> </ul> <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> <p>Budget monitoring to date shows overall budget on track, although individual areas need careful review and attention</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 has always been anticipated that once a 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. Under new government, 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>Commence update of MTFS in liaison with Management Team and Cabinet, and formally report to Cabinet and Scrutiny Select Committee</p> <p>Await and assess the outcome of the incoming Government's spending reviews for local government and any redistribution of funding</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 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> <p>Continue to actively monitor in year budgets to enable swift action as needed</p>	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Director of Finance and Transformation	↔	Oct-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
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.  Complete roll out tranche 5 of Household Support Fund.  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	↔	Oct-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	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. Report to Cabinet in October 2024 will set out some proposals for embedding performance management within the organisation (along with reporting Q1 KPIs)	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	Chief Executive/ Management Team	↔	Nov-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  Savings, new income and transformation contributions of £820k accrued to date (report to FRPSSC Sept 24 refers) but negated by growth of £96. However, this means overachievement of savings against the in year target of £305k.	3	3	9	The priorities and focus of the incoming government 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. Intelligence gathering and responses to any consultations prior to Spending Review will be important. Cabinet have been asked in report of 3 September to consider involving Members of Scrutiny Select Committees in identification of options for achievement of savings. Update of MTFS and achievement of savings will be reported to Cabinet and Select Committee in November	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	↔	Oct-24



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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 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.  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	↔	Oct-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.  The Council implemented its Market Supplement policy in October 2023.  At present all 'qualified' Planning Officer roles receive a market supplement. Vacant Planning Officer roles are advertised with a 'Golden Hello' payment.  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 and staff development to be prioritised and reflected in an updated appraisal process by 1 April 2025.  Engagement of agency staff, external consultants and specialists where required. Reviewed by MT on a monthly basis to ensure Value for Money.  Resilience and rationalisation of existing structures.  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.  Workforce Strategy approved by General Purposes Committee in June 2022. Revised version to be considered by General Purposes Committee in January 2025.	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Jan-25

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
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 the AWAPP and CSO 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.	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. <b>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.</b> 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	IT Strategy	Director of Finance and Transformation	↔	Dec-24



Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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	Cyber Security. Continued							<p>Obtained Cyber Essentials accreditation in November 2022, demonstrating that our technical controls are designed to defend against the most common cyber threats.</p> <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 &amp; 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>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 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"> <li>Business Continuity Plan.</li> <li>Corporate Business Continuity Risk Register</li> <li>Emergency Plans</li> <li>Disaster Recovery Plans</li> <li>Inter-Authority Agreements</li> <li>Mutual Aid Agreement</li> <li>Partnership agreement with Kent Resilience Team.</li> <li>Emergency Planning Support Officer.</li> <li>Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience.</li> <li>Covid Secure rest centre plan has been developed</li> <li>Flood Risk Assessments along with Support from Parishes with Flood Wardens</li> <li>EA support for expansion of Leigh Storage Area and works to Medway River Wall</li> </ul>	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>Enhanced staff training being developed to ensure rest centre staffing levels</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		Nov-24



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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&amp;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>TMBC was successful in LA Housing Fund Round 3, attracting £1.6m. This together with TMBC own funding should help to deliver TA and resettlement accommodation</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>Downsizing incentive policy agreed</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>Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&amp;M.</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>Delivery of LA housing Fund programme</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	↔	Oct-24
12	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	3	4	12	<p>Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings &amp; Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&amp;TS.</p> <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	↔	Dec-24
13	Homes for Ukraine Scheme	F, R, S	Districts are required to undertake home assessments for potential host households to support Ukrainian refugees fleeing the conflict. 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. As of 1 April 2023, TMBC have taken on wider support role for Ukrainians in the borough under HFU scheme.	01/09/2022	3	4	12	<p>Re-matches are unsustainable in the longer term, and work continues to support more families into PRS.</p> <p>Funding in place to support families and incentivise move out of HFU scheme and into the PRS.</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  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	2	2	4	Further escalation of issues to Agile CEO  Agreement of revised Land Charges implementation programme 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	↔	Oct-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. Total grant award of £1.6m will support installation of LEDs, solar PV and a heat pump at Larkfield Leisure Centre, reducing vulnerability to energy price variations and tackling a significant source of carbon emissions.	3	2	6	New strategic planning, oversight and commitment by Members, senior management and services to ambitious 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. Gap analysis report endorsed at Overview and Scrutiny Committee January 24  Funding is dependant on successful applications and awards being achieved, otherwise Council Resources will be needed.  Successful delivery of decarbonisation projects using grant funding. Ensure all delivery, project and monitoring milestones set by funders are met.	Climate Change Strategy 2020 - 2030, Corporate Strategy 2023 - 2025	Chief Executive	↔	Dec-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	↔	Nov-24

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

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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	<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>Establishment of cross-departmental working groups for key contracts and projects.</p> <p>Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit.</p> <p>Directorate representatives on the Council's Procurement OSG.</p> <p>Use of external specialist consultant (Dartford Borough Council) in the administration of contract procurement.</p> <p>Use of specialist advisors on major contracts.</p> <p>Contracts to include break clause and/or extension periods based on performance.</p> <p>Use of contract frameworks where appropriate.</p> <p>Risk assessment approach to appointment of contractors.</p>	1	3	3	<p>Corporate Procurement Rules &amp; 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> <p>Cabinet 2 April for procurement resources through Mid Kent Partnership agreed</p> <p>Corporate Training arranged for staff</p>	Procurement Strategy, Compliance with legislation, Health and Safety.	Director of Street Scene, Leisure & Technical Services		Nov-24

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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
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 (now MHCLG), 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. As of 01 Sept, around 43% of Year 3 budget spent, but there remain a number of larger capital projects which are still to deliver and this remains the key risk. REPF (used to create the West Kent Rural Grants Scheme) - as of 01 September, 90.5% of the pot has been awarded to projects, with further applications (with an ask amounting to a further 7.5%) awaiting decision. To date 34% of the budget has been spent (i.e. projects completed and claimed funding in arrears).
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 2024/25 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
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	Ongoing	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.



## ZM Risk Management Review Recommendation Matrix

Reference	Recommendation	Management Response	Update September 2024	Officer / Member Responsible	Date Proposed for Implementation
<b>Culture and Leadership</b>					
1	Consider assigning a corporate risk champion who will drive risk management conversations, set the tone and be the example to follow for both fellow senior level managers and officers at all levels.	This role should be considered by Corporate Management Team on who would have sufficient seniority and resource.	Director of Finance and Transformation appointed as Corporate Risk Champion to be supported by Service Officers as individual Service Risk Champions.	To be considered	January 2025
2	Clarify risk management roles and responsibilities, in particular to separate officers and members' roles. This should include not just what is expected, but also how responsibilities should be carried out.	This will be considered as part of the Risk Strategy Review	Risk Strategy to include terms of reference for Risk Champions, Officer and Members. To be discussed at first Risk Meeting.	Appointed Risk Champion, CMT and Chief Financial Services Officer	January 2025
3	Review the level of engagement that is possible from senior officers within current workloads to ensure that risk management responsibilities and objectives are realistic.	Wider review will need to be undertaken	Discussion at Risk Group	CMT	January 2025
<b>Risk Appetite &amp; Strategy</b>					
4	Define risk appetite levels and statements across different risk categories. This will provide an organisational approach and align thinking across officer and members while providing officers practical guidance at key decision points.	Wider review will need to be undertaken	Discussions to be held by Risk Group and involvement from Cabinet will be required.	Appointed Risk Champion, CMT and Chief Financial Services Officer	January 2025
5	Revisit the risk management strategy and it's place among other frameworks. Determine if there are opportunities to include risk management as an integrated part of working rather than an add-on requiring specific resources.	The Council's Risk Strategy and Guidance will be reviewed following the clarification of risk appetite.	Workflow to be developed, giving links between areas such as Safeguarding, Budget and Savings, Procurement and Workforce Strategies.	Chief Financial Services Officer	January 2025
<b>Governance</b>					
6	Consider a process for increasing visibility of risks across services, this could be either at management level through a management board or more informally through risk champion officers from each service that take on responsibilities for both risk updates within services but also meet to share practices and discuss emerging risks.	Ensure that risks are adequately discussed at Team and Service Management Meetings.	Service Risk officer have been appointed and Risk is a weekly item on Service and Corporate Management Team agendas.	Appointed Risk Champion and CMT	January 2025
7	Ensure that members, and audit committee representatives in particular, receive risk management training that include clear descriptions of their remit and responsibilities.	Training to Members is being prepared and delivered on 15 <sup>th</sup> January 2024. The session will be recorded and placed into the members resources library.	Received January 2024	Chief Financial Services Officer	January 2024
<b>Methodology</b>					
8	Initiate dedicated risk identification sessions at both service- and corporate level to increase proactive risk identification and expand the timeline available to manage risks by being proactive rather than reactive.	Ensure that risks are adequately discussed at Team and Service Management Meetings.	Group discussions to inform both the Service Risks identified and Strategic Risk Registers in order to provide feedback to CMT and Members.	Appointed Risk Champion, CMT and SMTs	January 2025
9	Ensure controls are SMART and that risk owners complete follow-ups. Risk should have practical roadmaps to desired risk score.	Risk Registers need reviewing on an annual basis by Service Management Teams along with documented evidence showing review.	To be discussed at Risk Group but plan is that Risk 'route map' to be discussed with Service Risk Holder and they are to provide project plan to eliminate or reduce risk.	Risk Champions on SMTs	January 2025

People & Training					
10	Mandate training sessions for elected members, senior leadership, service heads and possibly also third tier managers.	Members training will be delivered in January 2024, Officer training will be arranged following policy renewal in June 2024	Member Training delivered Jan 24 Officer Training Oct 24.	Chief Financial Services Officer	November 2024
11	Consider if there are officers within teams that could have capacity to receive extra training and be integrated risk champions in each service.	Review following Risk training	Consideration to be made following Officer Training in October.	CMT	November 2024
Projects, Partnerships, Contracts & Supply Chain					
12	Review procurement and contract policies and ensure that a defined risk management approach is included. Ensure training is supplied to increase the skills and confidence of officers managing contracts and partner relationships.	Consideration to be made by Procurement OSG	Currently underway with review of Council's Procurement Strategy	Head of Procurement OSG, Appointed Risk Champion	January 2025

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 2024

#### Report of the Management Team

#### Part 1- Public

#### Matters for Recommendation to Cabinet

#### **1 PROGRESS WITH RECOMMENDATIONS FROM AUDITOR'S ANNUAL REPORT (VALUE FOR MONEY) 2022/23**

This report updates Members on the progress in addressing the recommendations made in the 2022/23 Auditor's Annual Report.

#### **1.1 Introduction**

- 1.1.1 Members of this Committee are aware that the external auditor is required to report on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- 1.1.2 Auditors are required to report their commentary on the Authority's arrangements under specified criteria. The criteria are financial sustainability, governance and improving economy, efficiency and effectiveness.
- 1.1.3 On 25 September 2023, this Committee received a copy of the Auditor's Annual Report for 2022/23.
- 1.1.4 Two significant weaknesses in arrangements were identified by Grant Thornton relating to **performance management and procurement** under the heading 'Improving economy, efficiency and effectiveness'. For Members' information, 'Significant weakness' is the term used by the National Audit Office Code of Audit Practice. Where auditors identify significant weaknesses as part of their arrangements to secure value for money, it requires that they should make recommendations setting out the actions that should be taken by the Council.
- 1.1.5 In addition, a number of 'improvement recommendations' were also made.
- 1.1.6 Members received the report and recommendations at their meeting in September 2023 along with a commentary from Management Team. It was noted that a partnership approach between Members and officers would be needed to ensure that we were able to respond to, and satisfy, the challenges identified.
- 1.1.7 This report updates Members on the progress made in addressing these matters.

## 1.2 Progress Update

- 1.2.1 Attached at **[Annex 1]** is a document listing the key recommendations (resulting from the 2 significant weaknesses) and the improvement recommendations.
- 1.2.2 Naturally, greater focus must be given to the Key Recommendations relating to performance management and procurement. Both feature on the Council's Strategic Risk Register.

### *Performance Management*

- 1.2.3 In terms of **performance management**, hopefully Members will recognise the wealth of data that is now presented to the Cabinet and the three Scrutiny Select Committees on a regular basis.
- 1.2.4 With the adoption of the new Corporate Strategy, the authority has 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.
- 1.2.5 At present the KPIs are initially discussed at each Director's Service Management Team, before being presented to Management Team and 'Informal' Cabinet before being shared with the Scrutiny Select Committees, Overview and Scrutiny and Cabinet on a quarterly basis.
- 1.2.6 An internal audit review of performance management was undertaken from November 2023 - March 2024, finding substantial assurance with very good prospects for improvement. The main action arising from the internal audit report 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. It is intended that a report to Cabinet in October 2024 will set out some proposals for embedding performance management within the organisation (along with reporting Q1 KPIs).

### *Procurement*

- 1.2.7 In terms of **procurement**, Members are aware that a decision was taken by Cabinet in April 2024 to join the Mid Kent Partnership on a 2 year trial basis. The partnership provides TMBC officers with support from fully trained procurement specialists.
- 1.2.8 The Council's internal Procurement Project Group has revised its terms of reference and is chaired at Director level. A new Procurement Strategy for the authority has been produced, and will be reported to the Finance, Regeneration

and Property Scrutiny Select Committee in November for recommendation to Cabinet.

- 1.2.9 The Partnership is already assisting Officers on a number of contracts including Waste, public conveniences and pest control. The Partnership Officers attend all meetings of the Procurement Project Group to ensure a joined up approach across the authority.
- 1.2.10 A programme of dates for staff training on procurement have been set for September and the training will be delivered by the Procurement Partnership Manager. The training will cover the introduction of new legislation and fraud awareness and it is the intention that it will subsequently be extended to Members.

### ***Improvement Recommendations***

- 1.2.11 In addition to the recommendations made in respect of the 2 significant weaknesses, Grant Thornton also made 4 improvement recommendations. These related to transformation, workforce strategy, the re-formatting of the Strategic Risk Register and the integration of financial reporting and performance data. Commentary is given in Annex 1.
- 1.2.12 Members are invited to review the Annex.

## **1.3 Annual Report 2023/24**

- 1.3.1 As Members are aware, the audit of the Accounts has been pushed back slightly due to the national backlog and the audit is not due to start until October 2024.
- 1.3.2 Work on the 2023/24 Annual Report will commence simultaneously with the audit of the accounts, and Auditors have already asked for a progress update to inform their work. A copy of Annex 1 presented to Members will be provided to the team to assist them.
- 1.3.3 It is understood that Grant Thornton are aiming to present the 2023/24 Annual Report at the January 2025 Audit Committee.
- 1.3.4 It should be remembered that the auditors will be looking at progress that occurred during 2023/24 for this particular report. Whilst the direction of travel with both Key Recommendations is very positive, some of the progress (e.g. joining the Mid Kent Procurement partnership) did not occur in 2023/24. It should be remembered of course that the Annual Report was not received until September 2023, so the number of months available to implement actions was limited.
- 1.3.5 Therefore, it is important that Members acknowledge that it is possible that 'residual' recommendations regarding these significant weaknesses could remain in the 2023/24 report.

## 1.4 Legal Implications

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

## 1.5 Financial and Value for Money Considerations

- 1.5.1 The Auditor did not need to carry out any additional work as a result of identifying the two significant weaknesses above and therefore no additional fees accrued.

## 1.6 Risk Assessment

- 1.6.1 Grant Thornton identified two significant weaknesses leading to key recommendations. As recognised last year, it is important that both Members and officers actively respond to these matters as quickly as possible in order to protect the Council and its services to residents.

## 1.7 Equality Impact Assessment

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

## 1.8 Recommendations

- 1.8.1 Members of the Committee are **RECOMMENDED** to
- 1) **Review** the attachment **[Annex 1]** and, if appropriate, provide any further updates that should be incorporated; and
  - 2) **Endorse** the actions and commentary set out in Annex 1

Background papers:

contact: Sharon Shelton

Damian Roberts  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation

For Management Team

Improvement Recommendation	Recommendation	Management Response approved by Audit Committee September 2023	Further Evidence / Questions
1 Key	<p>Cabinet members cannot hold officers to account for performance if reporting is lacking'; and 'in 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged'.</p> <p>1) Using the reset Corporate Plan to establish a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;</p> <p>2) Developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;</p> <p>3) Agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;</p> <p>4) Ensuring performance reporting include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;</p> <p>5) Ensuring the Cabinet receives quarterly performance reports to enable it to hold officers to account;</p> <p>6) Using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;</p> <p>7) Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;</p> <p>8) Developing a strategic approach to assessing the levels of statutory services needed to save money;</p> <p>9) Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;</p> <p>10) Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet; and</p> <p>11) Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.</p>	<p>Over the past 18 months, the Borough Council has made good progress on establishing a performance management framework. Whilst the framework will need to be continually refined over the coming months, an internal audit of our new framework which was carried out in February 2024 concluded that it offered 'substantial' assurance with very good prospects for improvement.</p> <p>The Corporate Strategy is supported by an annual action plan and suite of Corporate KPIs that are directly aligned with the 'priority actions' of the strategy.</p> <p>Work is ongoing to improve the 'golden thread' through the organisation - annual service plans are being pulled together, report templates are being amended in order to demonstrate linkages with the Corporate Strategy, and the Corporate Strategy Action Plan includes specific linkages to a small number of key council strategies.</p> <p>The performance indicators are reported on a quarterly basis. Once collated, they are first presented to Management Team and Informal Cabinet for consideration. Relevant thematic indicators are then presented to the Scrutiny Select Committees and Overview and Scrutiny Committee before finally going to Cabinet in their entirety.</p> <p>The majority of performance indicators include targets, actual measures and trend data. To improve benchmarking, the borough council has subscribed to LG Inform Plus in order to gain greater access to comparable data. Whilst not all indicators are benchmarked, the majority now are, helping to inform areas for transformation and value for money.</p> <p>The performance indicators cover a wide range of council activity, including a number of indicators that refer specifically to the waste and leisure contracts.</p> <p>The Borough Council is currently working with Digital Kent to deliver an initiative (funded through UK Shared Prosperity Fund and Business Rates Retention Pilot Reserve) that provides hardware and digital training to our most digitally excluded residents. The project will for the entirety of 2024/25, offering support to up to 225 residents in the borough.</p> <p>In terms of engagement with residents, a consultation was undertaken to inform the development of the new Corporate Strategy and assess local priorities. Further individual consultations have been undertaken with residents and local businesses more recently on specific matters that are intrinsic to the Corporate Strategy action plan and that impact on resources and options for savings. A further consultation on the Corporate Strategy will take place in 2025 (which represents the mid-point for the strategy).</p>	<p><a href="#">Agenda for Audit Committee on Monday, 15th April, 2024, 7.30 pm (tmbc.gov.uk)</a> - see Annex 1 of Report AU 24/20</p> <p><a href="#">Agenda for Cabinet on Tuesday, 4th June, 2024, 7.30 pm (tmbc.gov.uk)</a> - Report CB 24/71</p> <p>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&amp;S and Cabinet on a quarterly basis.</p> <p><a href="#">Agenda for Cabinet on Monday, 8th July, 2024, 7.30 pm (tmbc.gov.uk)</a> - Example: Report CB 24/78 (plenty of other reports available)</p> <p><a href="#">Please see above link which also sets out range of KPIs</a></p> <p><a href="https://www.digitalkent.uk/information/projects/externally-funded/tmbc">https://www.digitalkent.uk/information/projects/externally-funded/tmbc</a></p>

Improvement Recommendation	Recommendation	Management Response approved by Audit Committee September 2023	Further Evidence / Questions
			<p>An internal audit review of performance management was undertaken from November 2023 - March 2024, finding substantial assurance with very good prospects for improvement.</p> <p>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. Report to Cabinet in October 2024 will set out some proposals for embedding performance management within the organisation (along with reporting Q1 KPIs)</p>
2 Key	<p>The Council needs to improve its procurement and contract management arrangement by:</p> <ol style="list-style-type: none"> <li>1) Updating its procurement strategy;</li> <li>2) Ensuring the contracts register is monitored, kept up to date and used by all services;</li> <li>3) Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation;</li> <li>4) Having a suitably trained client lead for procurement and contract management;</li> <li>5) Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and</li> <li>6) Ensuring the Council's shared arrangements for fraud also include procurement and contract management.</li> </ol>	<p>Management Team acknowledges that updating of the procurement strategy has been an outstanding matter for some time.</p> <p>The Council does not have its own procurement resource and has relied on a working group of officers from across the Council to discuss and deliver procurement priorities and monitor/update the contracts register.</p> <p>For the letting of significant contracts, the Council has always sought professional assistance externally, but it acknowledged that a lack of 'in house' expertise in this discipline has led to a lack of progress.</p> <p>We are now having discussions with another Local Authority with a view to developing a SLA for both the review and revision of the Procurement Strategy along with a named officer for day to day professional advice who could also sit on the Procurement working group. In order to bolster the profile and importance of the procurement function, the Procurement working group will now be chaired by a member of Management Team.</p> <p>Appropriate training for both officers and Members will be developed by the group over the next few months.</p> <p>With regard to the risk of fraud within procurement, the Council's SLA with Kent County Council's Internal Audit and Fraud team does already cover this activity.</p> <p>Procurement fraud awareness training will be offered to procurement leads during 23/24 and a rolling programme will be established"</p>	<p><a href="https://modgov.tmbc.gov.uk/ieDecisionDetails.aspx?Allid=40455">https://modgov.tmbc.gov.uk/ieDecisionDetails.aspx?Allid=40455</a></p> <p>Once the new Procurement Strategy has been approved all procurement documentation used by the Council will be reviewed and updated in liaison with the Partnership to ensure robust documentation is in place and continuity exists across different services.</p> <p>The Council joined the Mid Kent Procurement Partnership in April 2024 to provide Officers with support from fully trained procurement specialists. The Council's internal Procurement Project Group has revised its terms of reference and is chaired at Director level. A new Procurement Strategy for the authority has been produced and will shortly be reported to the Finance, Regeneration and Property Scrutiny Committee for recommendation to Cabinet. The Partnership is already assisting Officers on a number of contracts including Waste, public conveniences and pest control. The Partnership Officers attend all meetings of the Procurement Project Group to ensure a joined up approach across the authority.</p> <p>A programme of dates for staff training on procurement have been set for September and the training will be delivered by the Procurement Partnership Manager. The training will cover the introduction of new legislation and fraud awareness and will subsequently be rolled out to Members.</p>



Improvement Recommendation	Recommendation	Management Response approved by Audit Committee September 2023	Further Evidence / Questions
1 Improvement	the Council should develop a transformation programme to enable it to reduce spend by looking at different ways of delivering services or by enable others in its system leadership role.	<p>A Management Team/Cabinet LGA Development Day is being arranged for October, themed around transformation. It will look at development of the transformation programme and subsequently the resource requirement.</p> <p>As part of the budgetary process for the Revised Estimate for 2023/24 and Forward Estimates for 2024/25 Services are asked to identify whether services provided were mandatory or discretionary to help develop an overall understanding of cost and priorities.</p>	<p>The Management Team/ Cabinet Development Day took place in November 2023. A number of actions were agreed under the theme of transformation, including (1) Appointment of a Tonbridge Town Centre Programme Manager (2) Joint briefing between Senior Officers, Leader and the opposition groups (3) Amend Committee reports to include links to the corporate priorities and plan. Substantial progress has been made in these respects. A Tonbridge Town Centre Programme Manager has been appointed and starts with the Council in September 2024. The Joint Briefings commenced in early 2024 and a revised committee report template has been developed and is due to go live in October 2024 (following completion of testing with staff).</p> <p>Implemented for 2024/25 Estimates but further development has been put on hold following changes to External Audit Timetable that means External Audit of 23/24 Statements clash with 'normal' estimates timetable.</p>
2 Improvement	improve the Workforce Strategy to include fully costed strategy over the medium to long term	Future revisions of the Workforce strategy will include medium-term impacts requiring reviews of service delivery, succession planning, resilience as well as financial costing.	<p>The Workforce Strategy will be fully updated to reflect the following:</p> <ul style="list-style-type: none"> <li>- A planned future management development programme.</li> <li>- Address issues identified in the all staff survey planned for September 2024</li> <li>- Ensure that the WF Strategy develops closer links to the Council's Vision and Values by updating the Council's employee appraisal scheme which will strengthen areas around staff development and succession planning.</li> <li>- Identify behaviour competencies with close links to the Council's vision and values</li> <li>- Target date for completion January 2025 to be agreed at January meeting of the General Purposes committee. To be updated and reviewed annually.</li> </ul>
3 Improvement	<p>The Council needs to improve risk management by:</p> <ul style="list-style-type: none"> <li>Improving the format of the Strategic Risk Register (SRR) to add for each risk: key controls and assurances; direction of travel;</li> <li>a single named owner; the original risk score and likelihood scores after initial mitigation; current risk scores and target risk scores;</li> <li>and provide updated mitigation quarterly; It would be useful to identify issues, risk and impact separately;</li> <li>Updating the SRR format to align with our proposed SRR changes;</li> <li>Reviewing the SRR risks to ensure they have the right actions and are unique risks;</li> <li>Reporting the SRR quarterly to Cabinet alongside performance and finance;</li> <li>Improving committee reports to facilitate good risk management, referencing strategic risks and their scores and impact in all Council reports; and</li> <li>Developing training for members and staff to raise awareness of risk and responsibilities.</li> </ul>	Some changes have already been made to the SRR to indicate direction of travel and further changes will be made over the next few months. In the light of both last year's recommendation and an internal audit report (which contained similar recommendations) Zurich, the Council's insurers, are being asked to review the Risk Management Strategy, formats of risk registers and risk training for new employees.	<p>Zurich have carried out training on Risk Management to Members, held in January 24 and Officer training is being arranged for the Autumn 2024.</p> <p>Zurich have revised the Council's Strategic Risk Register and procedures and have made recommendation to officers and members for improvement actions</p> <p>Management Team, have reviewed the number of risks contained within the Strategic Risk Register, reducing them down to 23 in January 2024 to 17 in July 2024.</p> <p>Under the Council's constitution the delegated authority for risk management is given to the Audit Committee then sent to Full council for approval.</p>
4 Improvement	The Council need to fully integrate performance and financial reporting for revenue and capital to improve financial reporting	Management Team are currently considering this recommendation and at the time of responding have not finalised a view. Further discussions will take place with Cabinet and Grant Thornton, as it is important that Members are not overloaded with operational data and can focus their attention on strategic matters.	As part of the Budget build for 2025/26 services are to provide details of the costs drivers where volumes can affect the levels of spend and income. This will be incorporated into the reports to Members to in Jan 2025.

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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 2024

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

#### Part 1- Public

#### Delegated

### 1 LOCAL AUDIT BACKLOGS – NATIONAL TIMETABLE

**A report updating Members on the timetable for audits following receipt of a letter from the new Minister of State for Housing, Communities and Local Government.**

#### 1.1 Introduction

1.1.1 In April 2024, Members were advised of a Statement from the (then) Minister for Local Government on the proposed way forward in relation to the national backlog on the audit of local authority accounts.

1.1.2 Whilst this has not affected Tonbridge and Malling Borough Council greatly (in that the Council's 2022/23 Accounts were signed off in October 2023), a number of councils have accounts dating back several years that are being worked on.

1.1.3 The (then) Minister wrote advising that the 2023/24 (current year) to 2027/28 financial Statements with proposed sign off dates for the accounts to be no later than the details shown below:-

<i>Financial year beginning</i>	<i>Financial Year</i>	<i>Date accounts to be signed by</i>
1 <sup>st</sup> April 2023	2023/24	31st May 2025
1 <sup>st</sup> April 2024	2024/25	31st March 2026
1 <sup>st</sup> April 2025	2025/26	31st January 2027
1 <sup>st</sup> April 2026	2026/27	30th November 2027
1 <sup>st</sup> April 2027	2027/28	30th November 2028

1.1.4 In respect of TMBC, for the 2023/24 Audit, Grant Thornton advised that the Audit of the 2023/24 accounts would commence until October 2024 with conclusion of the Audit in December 2024.

#### 1.2 Update

1.2.1 Attached at **[Annex 1]** is a letter received from the new Minister of State for Housing, Communities and Local Government, Jim McMahon OBE.

- 1.2.2 Members will note that the Minister intends to lay secondary legislation when parliamentary time allows to provide backstop dates as follows:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 1.2.3 This is slightly different to the previous proposal (items highlighted in red font) from the outgoing Minister as Members will note.

### **1.3 Legal Implications**

- 1.3.1 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.

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

- 1.4.1 The proposed audit fee for the 2023/24 accounts is £139,930.

### **1.5 Risk Assessment**

- 1.5.1 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.

### **1.6 Equality Impact Assessment**

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

### **1.7 Policy Considerations**

- 1.7.1 Business Continuity/Resilience

Due to the timing of the audit and the workload on the preparation of the Budget, there is a potential risk that work being split between the two statutory areas and the current resources could lead to delays if they audit enquiries are significantly challenging.

### **1.8 Recommendations**

- 1.8.1 Members are asked to **NOTE** the slight change to the timetable for backstop dates for the sign off of local authority accounts.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton  
Director of Finance and Transformation

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# Ministry of Housing, Communities & Local Government

**Jim McMahon OBE MP**  
*Minister of State*  
2 Marsham Street  
London  
SW1P 4DF

Annex 1

To All Chief Executives, Chief  
Financial Officers, Local Authority  
Leaders and Local Audit Firm Partners

30 July 2024

Dear all,

## **ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND**

I am writing to you today to inform you that I have, today, provided Parliament with a written update on the decisive action I have taken to tackle the local audit backlog in England. The statement can be found here: <https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>.

Effective local audit ensures transparency and accountability for public money spent on these vital services and builds public confidence. The Government inherited a broken local audit system in England, with a significant and unacceptable backlog of unaudited accounts, which will likely rise again to around 1,000 later this year. This situation undermines trust and transparency in the way taxpayers' money is being spent. The delays that were seen under the last government mean that local bodies and their auditors cannot focus on up-to-date accounts, where assurance is most valuable.

To tackle the backlog, I intend to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts. A new suite of guidance is planned by the NAO and Financial Reporting Council (FRC) on these measures, and we continue to work with other organisations to consider what guidance would be most constructive and helpful for local bodies.

We expect that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.

The Ministry will continue to work with the FRC and other key organisations across the local audit sector to support local bodies, auditors and the wider world to understand what the different types of modified opinions mean. As I set out in my statement, local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

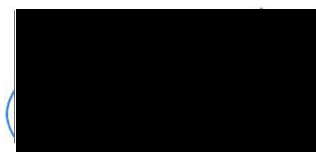
The Government will communicate the necessity of these steps and emphasise the context for modified or disclaimed opinions and all the key organisations. This will include some Q&A drop-in sessions followed by a webinar. Dates and invitations for these will be circulated shortly, and I hope you will all be able to attend to hear directly about the measures.

I recognise the commitment and hard work of all your finance teams to continue and strengthen their essential work to produce high quality accounts in a timely manner. I also recognise the commitment and hard work of auditors working to provide quality external assurance, as we move to restore a system of high-quality, timely financial reporting and audit, while managing the impact of this in a sustainable way.

It is my aspiration, and one I know is also supported by all the key organisations in the audit world, that it is in the public interest for the audit system for local public bodies in England to recover as quickly as possible once the backlog has been cleared. This means disclaimed opinions driven by backstop dates should in most cases be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.

This action to tackle the backlog, while vital, does not provide a long-term, sustainable solution to the wider, broken local audit system. The Government will need to undertake significant reform to overhaul the system, as we committed to in our manifesto. This will allow us to get the house in order, open the books, and repair the foundations of local government, and I will work with partners over the coming months to explore how best to achieve this.

Finally, I know the hard work is often unseen and too often not acknowledged, can I ask that you relay my appreciation to finance teams, key audit partners and others for the work they have done so far in what has been an extremely demanding period, and for the work they will do in the coming months and years.



**Jim McMahon OBE MP**



## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 2024

#### Report of the Chief Audit Executive

#### Part 1- Public

#### Matters for Information

### 1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

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

#### 1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to *undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards and guidance.*

1.1.2 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.

1.1.3 This Progress Report provides the Audit Committee with an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period July 2024 to September 2024, together with the resulting conclusions where appropriate.

1.1.4 The report also provides details of additions and amendments to be made to the Internal Audit Plan for 2024/25.

1.1.5 The Internal Audit and Counter Fraud Progress Report is attached at **[Annex 1]**.

#### 1.2 Legal Implications

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

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

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

### **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 the delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

1.3.2 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.

### **1.4 Risk Assessment**

1.4.1 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.

1.4.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

#### **Background papers:**

Nil

Richard Benjamin  
Chief Audit Executive

## 1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Audit Committee and Management with 1 summary of completed work between July and September 2024.

## 2. Key Messages

- 1 audits has been finalised to draft/final report in the period. The summary is contained in **Appendix A**
- Progress against the current 11 audits from the 2024/25 rolling Audit Plan are provided in **Appendix B**

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## 3. Resources

3.1 In accordance with the Public Sector Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. There are currently a number of vacancies within the team, the key updates are as follows:

- Permanent recruitment for a Principal Auditor and a Trainee IT Auditor are ongoing.
- The Counter Fraud team is currently fully staffed.

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## 4. 2024-25 Internal Audit Plan

4.1 The audit summary is provided at [Appendix A](#). A summary is provided on current progress against the 2024-25 Audit Plan.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	3	27%
Planning	4	37%
Fieldwork	3	27%
Ongoing	1	9%
Draft Report	0	0%
Final Report	0	0%
On Hold	0	0
Removed/ Deferred	0	0
<b>Total</b>	<b>11</b>	<b>100%</b>

[Appendix B](#) sets out progress against the Rolling 2024-25 Audit Plan.

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## Table 2 – Summary of Audits by Committee Meeting

- 4.1 With each Progress report, Internal Audit turns the spotlight on the audit reviews, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.
- 4.2 In this period, the following report summary is provided at **Appendix A** for the Committee’s information and discussion. Audit Definitions are provided at **Appendix C**

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Audit Committee – 23 <sup>rd</sup> September 2024			
	Audit	Opinion	Prospects for Improvement
1	TM17-2024 Contract Management Leisure Trust	Substantial	Good
2	TM06-2024 Agile Post Implementation review – Lessons Learnt	N/A	N/A

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## 5. Internal Audit and Counter Fraud Plan

- 5.1 To ensure that the Plan is able to be flexible and respond to key risks, at the Audit Committee on 15 April 2024 members approved for 11 audits to be prioritised and scheduled for the first 6 months of 2024/25. The remaining identified reviews were presented to be kept under consideration and along with other emerging risks to the Authority, discussed with Directors as part of the 6-monthly liaison and planning meetings.
- 5.2 Following these planning meetings, and review of risk registers and emerging risks it is proposed that an additional 7 audits be added to the Internal Audit and Fraud Plan for 2024/25. Details of these additions are listed below.

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Additions to the Internal Audit Plan			
No	Audit	Budgeted Days	Assurance / Consultancy
1	Facilities Management / Building Maintenance	15	Assurance
2	Corporate Governance (SOLACE)	15	Assurance
3	AGS	10	Assurance
4	Procurement	15	Assurance
5	Temporary Accommodation	15	Assurance
6	Complaints	10	Assurance

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## 6. Quality Assurance and Improvement Programme

- 6.1 Following consultation during 2023, in January 2024 the Global Institute of Internal Audit (the IIA) published a set of new Global Internal Audit Standards (the Standards). The Standards are due to come into effect from January 2025.
- 6.2 There are some key additional requirements in the new Standards:
- A new Purpose statement that sets out the value of Internal Audit.
  - New behavioural requirements for Internal Auditors, including the concept of Professional Scepticism.
  - Domain 3 covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the 2017 standards, the new standards go further and explicitly lay out requirements for Senior Management and the Audit Committee..
  - The standards require an Internal Audit Mandate to be approved by the Audit Committee. The mandate sets out the authority, role, responsibilities, scope and types of services. It also considers organisational independence, including interference such as limiting budgets or resources of Internal Audit.
  - The chief audit executive (Head of Internal Audit) must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the Committee, senior management, and other key stakeholders.
  - The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the Audit Committee.
  - The chief audit executive must strive to ensure that the internal audit function has the technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.
- 6.3 The new standards represent a number of changes to the requirements for Internal Audit, Senior Management and the Audit Committee. A detailed self-assessment has been undertaken to identify gaps in compliance and a subsequent Improvement Plan has been drafted. The assessment concluded that Internal Audit are 'Generally conform' or 'Partially Conform' with all but 2 of the standards. The improvement plan contains c.60 improvement and enhancement actions to ensure the function 'Generally Conforms' with all 53 Standards. Implementation of these actions has begun through the Internal Audit Management team and progress will be presented to a future Audit Committee.

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## 7. Counter Fraud Update

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

7.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during 2024/25.

#### National Fraud Initiative

7.2 The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2022/23 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

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 D**. To date this has identified £27,910 in benefit overpayments in addition to estimated savings going forward of £41,509.

#### Kent Intelligence Network

7.4 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2024/25 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business and residential premises.

7.5 This year the following results have been achieved:

- Single person discount to NFI matches £16,418 increased council tax liability.
- Single person discount reviews from fraud referrals £1,079 increased council tax liability.
- Unrated businesses £28,079 increased liability.
- Retriever debtor tracing £75,961 for recovery action.

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## 7. Counter Fraud Update

### Investigating Fraud, Bribery and Corruption

- 7.6 A summary of cases referred or carried into the current fiscal year can be found in **Appendix E**.
- 7.7 A total of 41 referrals have been received by the Counter Fraud Team in Quarter 1 of 2024/25. The most reported fraud type is council tax reduction with housing benefit or universal credit attached, where 27 referrals have been received. The second most reported fraud type is single person discount where a total of 12 referrals have been reported. Further detail is available in **Appendix E**.
- 7.8 Of the 41 cases referred this year, 30 have been closed
- Two closed - error identified and corrected with a recoverable value of £316
  - Fourteen referrals sent to DWP
  - Two referrals shared internally
  - Twelve referrals closed no further action
- 7.9 A total of 14 cases were carried forward from earlier years, which are at the following status':
- Three cases closed
    - One has been referred to DWP
    - One was closed – no further action
    - One was closed - benefit amended / withdrawn with a recoverable overpayment of £70
  - Eleven cases remain open
    - Five have been opened for investigation
    - Six have open requests to joint work with DWP

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## Appendix A - Summaries

### TM18-2024 Corporate Performance Management Framework

Audit Opinion	<b>SUBSTANTIAL</b>
Prospects for Improvement	<b>GOOD</b>

Internal Audit have established that the management agreement, and how it is enacted, helps maximise the Trust's value for money. There is regular performance monitoring in place and the roles and responsibilities are clearly established within the management agreement. Key Performance Indicators (KPI's) are in place, and these are regularly reviewed and reported, however evidence supporting the KPI's, and site inspections are not easily accessible.

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

#### Key Strengths

- There is a KPI and site inspection tracker, and it is clearly laid out and easy to navigate. This is reported on a quarterly basis within the Update Reports.
- Quarterly reports and appendix are clearly displayed with clear explanations on how the KPI's are graded.
- The Management Agreement is well-defined and is aligned with the Accountability and Governance, Transparency of data and Contract Management practices/guidance.
- There are documented minutes, and evidence that actions are followed and tracked to completion.
- There is evidence of the Trust maximising their value for money, through their capital proformas and also within the Trust's Annual Service Delivery Plan. These are reported and tracked through meetings with the Trust.
- Utilisation of the mystery shoppers, unannounced visits, site inspections, QUEST visits and CEO standards ensures performance measures are a true representation.

#### Areas for Development

- Supporting evidence is not easily available within the Excel spreadsheet tracker for KPI's and site inspections. Issue 1
- There is no clear way to record the outstanding actions and the Responsible Officer for the Health and Safety inspections being carried out.

#### Prospects for Improvement

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

- The Leisure Services Manager was keen to get onboard with adding hyperlinks to his Excel tracker to easily navigate and find supporting documentation. **Low**
- The Leisure Services Manager was keen to start the liaison with the Health and Safety team to implement outstanding actions and a Responsible Officer column to easily track issues raised to completion. **Medium**

#### Summary of Management Responses

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

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## Appendix B – 2023-24 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
TM12-2024	Agile Post Implementation (APAS)	Draft Report	Advisory	N/A	
TM15-2024	Planning Enforcement	Draft Report			
TM17-2024	Contract Management Leisure Trust	Complete	Substantial		
TM01-2025	Tonbridge Town Centre Review	Planning			
TM02-2025	Gibson Building Project	Planning			
TM03-2025	Volunteer Management - Health and Safety	Planning			
TM04-2025	Planning applications and fees (Fee payback)	Not Started			
TM06-2025	Housing Allocation Process, Assessment and Review	Fieldwork			
TM07-2025	Treasury Management	Fieldwork			
TM08-2025	Discretionary Housing Payments	Fieldwork			
TM09-2025	Digital Strategies and Automation	Not Started			
TM10-2025	Castle Project	Ongoing			
TM11-2025	Climate Change	Planning			
TM12-2025	Local Plan	Not Started			

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## Appendix C - 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	
<b>Very Good</b>	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.	<b>High</b>	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.
<b>Good</b>	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.	<b>Medium</b>	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
<b>Adequate</b>	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	<b>Low</b>	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.
<b>Uncertain</b>	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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## Appendix D – National Fraud Initiative

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
2 High	Housing Benefit Claimants to Student Loans, High Quality, Between Bodies		6	Closed	6	0	0	0	£0.00
4 Medium	Housing Benefit Claimants to Student Loans, Medium Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
29.1 High	Housing Benefit Claimants to Housing Benefit Claimants, Same Phone Number, Between Bodies		1	Closed	1	0	0	0	£0.00
49.1 High	Housing Benefit Claimants to Benefits Agency Deceased Persons, High Quality, Within Bodies		10	Closed	10	0	0	0	£0.00
66 High	Payroll to Payroll, High Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
80 High	Payroll to Creditors, Same Bank Account, Within Bodies		33	Closed	33	0	0	0	£0.00
81 Low	Payroll to Creditors, Address Quality, Within Bodies		20	Closed	20	0	0	0	£0.00
91 High	Housing Benefit Claimants to Waiting List, High Quality, Between Bodies		11	Closed	11	0	0	0	£0.00
93 Medium	Housing Benefit Claimants to Waiting List, Medium Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
172.3 High	Resident Parking Permit to Benefits Agency Deceased Persons, High Quality, Within Bodies		21	Closed	21	0	0	4	£0.00
233 Medium	Waiting List to Housing Tenants, Medium Quality, Between Bodies		5	Closed	5	0	0	0	£0.00

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No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
242 Medium	Waiting List to Housing Benefit Claimants, Medium Quality, Within Bodies		5	Closed	5	0	0	0	£0.00
243 Medium	Waiting List to Housing Benefit Claimants, Medium Quality, Between Bodies		15	Closed	15	0	0	2	£0.00
259 Medium	Waiting List to Waiting List, Medium Quality, Between Bodies		10	Closed	10	0	0	0	£0.00
261 High	Waiting List to Benefits Agency Deceased Persons, High Quality, Within Bodies		13	Closed	13	0	0	6	£0.00
435 High	Council Tax Reduction Scheme to Payroll, High Quality, Within Bodies		2	Closed	2	0	0	0	£0.00
436 High	Council Tax Reduction Scheme to Payroll, High Quality, Between Bodies		56	Closed	56	0	0	7	£18575.40
436.1 High	Council Tax Reduction Scheme to Pensions, High Quality, Between Bodies		77	Closed	77	0	0	7	£6512.50
438.1 Medium	Council Tax Reduction Scheme to Pensions, Medium Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
440 Low	Council Tax Reduction Scheme to Payroll, Address Quality, Between Bodies		9	Closed	9	0	0	0	£0.00
446 High	Council Tax Reduction Scheme to Council Tax Reduction Scheme, High Quality, Between Bodies		4	Closed	3	0	0	0	£0.00

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No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
450 High	Council Tax Reduction Scheme to Housing Tenants, High Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
459.1 High	Council Tax Reduction Scheme to Taxi Drivers, High Quality, Within Bodies		3	Closed	3	0	0	0	£0.00
459.2 High	Council Tax Reduction Scheme to Taxi Drivers, High Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
459.6 Low	Council Tax Reduction Scheme to Taxi Drivers, Address Quality, Between Bodies		1	Closed	1	0	0	0	£0.00
477 High	Council Tax Reduction Scheme to Housing Benefit Claimants, High Quality, Between Bodies		7	Closed	7	0	0	0	£0.00
482 High	Council Tax Reduction Scheme to Benefits Agency Deceased Persons, High Quality, Within Bodies		21	Closed	21	0	0	0	£0.00
483 High	Council Tax Reduction Scheme to HMRC Property Ownership		71	Closed	71	0	0	0	£0.00
483.1 High	Council Tax Reduction Scheme to HMRC Earnings and Capital		16	Closed	16	0	0	1	£1998.06
483.2 High	Council Tax Reduction Scheme to HMRC Household Composition		54	Opened	50	4	0	1	£824.28
701 High	Duplicate creditors by creditor name		8	Closed	8	0	0	2	£0.00
702 High	Duplicate creditors by address detail		42	Closed	42	0	0	1	£0.00

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No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
703 High	Duplicate creditors by bank account number		12	Closed	12	0	0	6	£0.00
708 High	Duplicate records by invoice amount and creditor reference		174	Closed	174	0	0	0	£0.00
709 High	VAT overpaid		3	Closed	3	0	0	0	£0.00
711 High	Duplicate records by supplier invoice number and invoice amount but different creditor reference and name		2	Closed	2	0	0	0	£0.00
713 High	Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date		2	Closed	2	0	0	0	£0.00
750 High	Procurement - Payroll to Companies House (Director), High Quality, Within Bodies		5	Closed	5	0	0	0	£0.00
9999 Info	Individuals who appear on more than one of the standard reports		16	Closed	0	0	0	0	£0.00
<b>TOTAL</b>			<b>741</b>		<b>720</b>	<b>4</b>	<b>0</b>	<b>37</b>	<b>27910.24</b>

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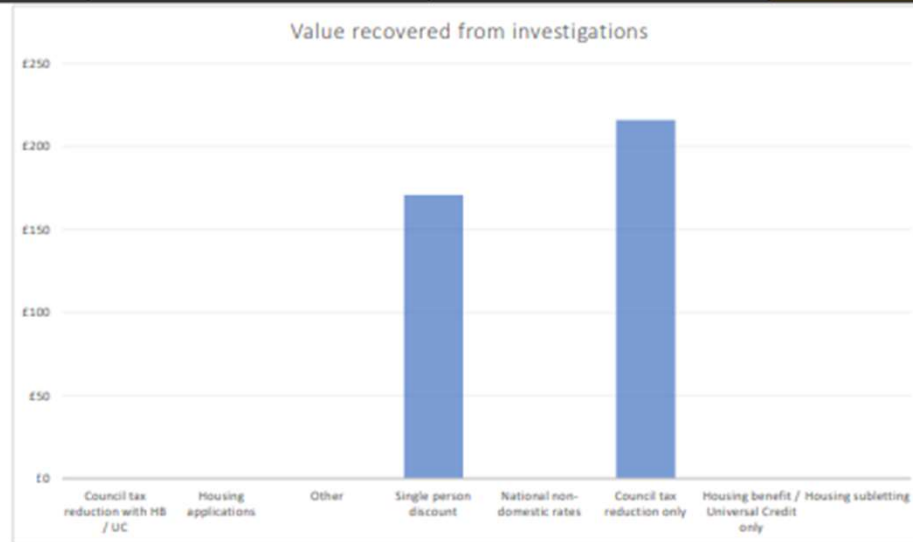
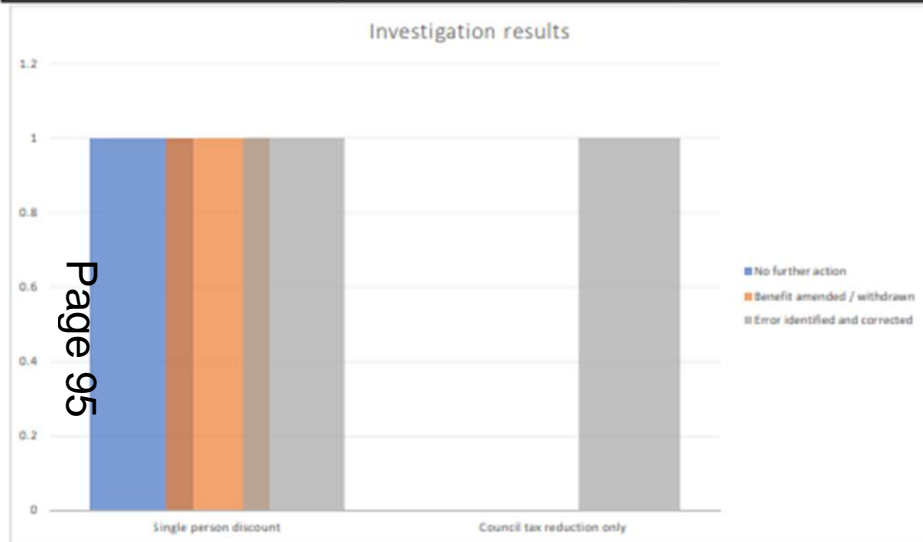
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## Appendix E – Fraud Referrals

Total number of referrals	Open referrals	Closed referrals	Referrals under investigation	Referrals awaiting sifting	% referrals closed
55	24	31	8	11	56%



Opened cases closed within 6 months	3
Opened cases closed over 6 months	1
All cases closed within 6 months	30
All cases closed over 6 months	0
Percentage of referrals reviewed within 10 working days	73%
Percentage of reviewed cases sifted within 10 working days	58%

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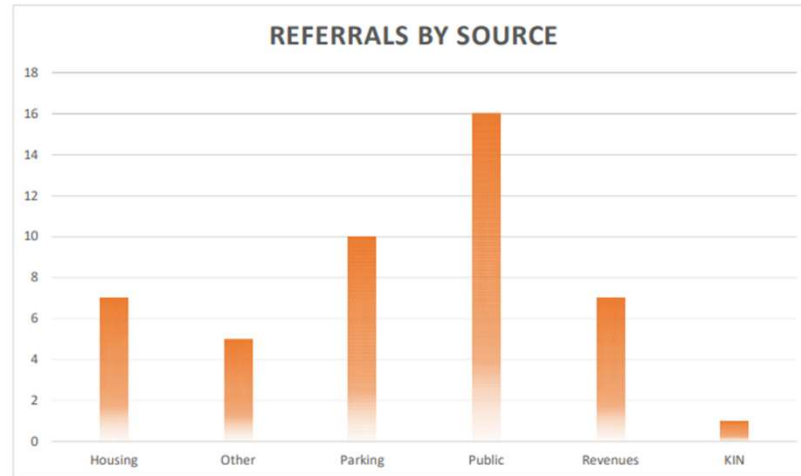
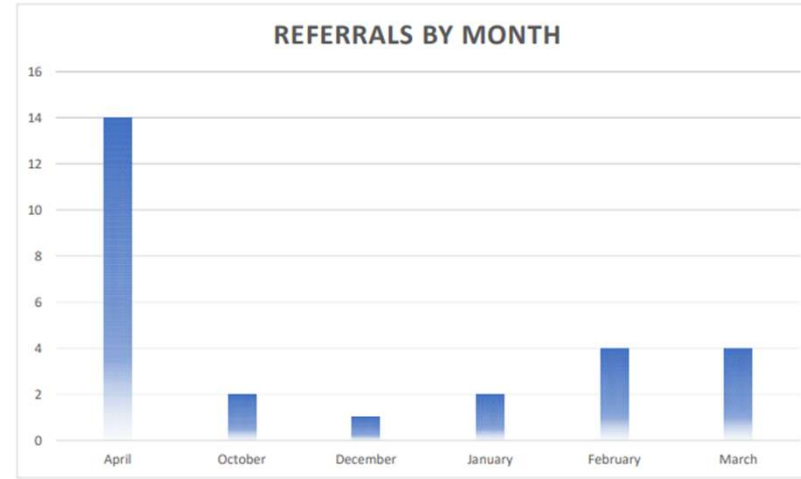
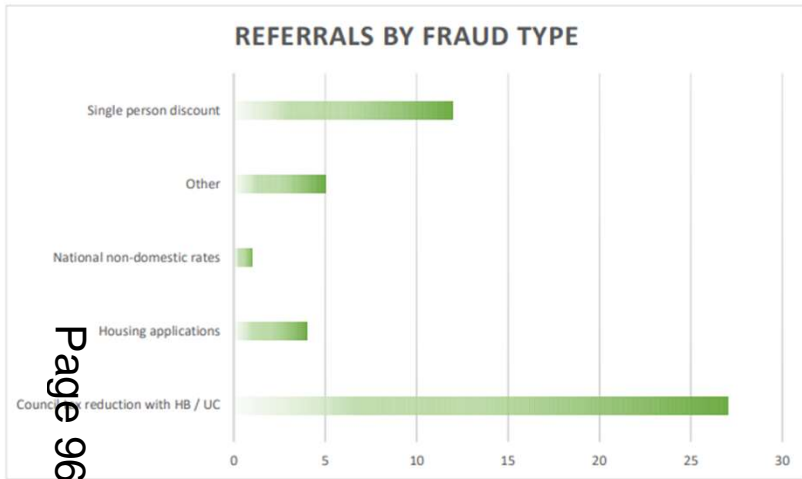
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## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

23 September 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 on the Audit for the 23/24 Financial Statements
- Ending the Audit Backlog
- Lessons from Audit Annual Reports
- Lessons from the new Unitary Authorities and Devolution
- Code of practice on good governance
- Internal Audit – supporting a healthy service
- Annual review of local government complaints
- Homelessness, housing targets and social housing

1.1.2 Staff from Grant Thornton will be available to answer any questions that Members may have.

#### 1.2 Legal Implications

1.2.1 As set out in the paper.

#### 1.3 Financial and Value for Money Considerations

1.3.1 None at this stage

## **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

September 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 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

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## Your key Grant Thornton team members are:

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

The paper also includes a 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 September 2024

## Financial statements audit

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

In 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 appropriate. We will continue to consider the potential for additional risks for the duration of the audit and any risks we identify will be communicated to management and the Audit Committee.

During August 2024, as agreed with management, we have performed initial audit fieldwork by selecting sample items for key transactions and balances, such as income, expenditure, debtors and creditors. The finance team is now collating supporting evidence that will be available to the audit team on first day of our final audit fieldwork visit. We will commence with fieldwork 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 at the date of this report.

## Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue their 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.

Our VFM planning and mobilisation has commenced, with delivery of the final Auditor's Annual Report planned to be reported at the Audit Committee meeting in January 2025, in line with Code of Audit Practice requirements.

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 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.

# Audit deliverables

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

2023-24 Deliverables	Planned date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023-24 financial statements.</p>	April 2024	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	January 2025	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	January 2025	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>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.

# Audit deliverables – grants

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

2023-24 Audit related deliverables	Planned date*	Status
<p data-bbox="120 533 658 563"><b>Housing Benefit Subsidy – certification</b></p> <p data-bbox="120 568 1480 635">This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	December 2024	Not started

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

# Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:



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1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

**For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).**

# Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:

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1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.



To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

## Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

# Learning from the new unitary councils

In September 2024, Grant Thornton published findings from Auditors' Annual Reports for eight unitary councils created since 2019 (or, where relevant, from Auditors' Annual Reports for their predecessor councils).

Grant Thornton's report includes a series of key messages for Councils who may be facing local government re-organisation in the future, including:

## During the transition period

- Appoint shadow authority roles as soon as possible;
- Allocate adequate resources to planning and transformation;
- Consider how to reduce legacy staff capacity.

## Financial sustainability

- Have a finance team in place at the start;
- Understand the legacy reserves position early.

## Governance

- Prioritise the production of legacy accounts;
- Don't underestimate the complexity of internal audit.

## Effectiveness, economy, efficiency

- Develop a performance management framework early; and
- Put in place clear strategies.

[Local government reorganisation: Lessons from new unitaries | Grant Thornton](#)

“Local government re-organisation is here to stay....(but) ..... One size does not fit all, and local government is no exception”.





# Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan Principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers of Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

**For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)**

## The seven standards of the Golden Triangle are:



### Understand Governance

Roles and responsibilities



### Act Wisely

A duty of enquiry & the exercise of statutory functions



### Lead Ethically

The Seven Principles of Public Life



### Act Effectively

Robustness in working arrangements



### Resource the Roles

Get the tools to do the job



### Build Resilience

Deputies and development



### Deliver sound decision making

The outcome of good governance



# Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;
- Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;
- Lack of member understanding of the work of internal audit; and
- Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

**For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) ([iia.org.uk](http://iia.org.uk))**

## Summary of respective responsibilities to provide:

### Support:

#### Audit committee

Champion the internal audit function.

#### Senior management

Support recognition of the function throughout the organisation.

### Oversight:

#### Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

#### Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

### Resources:

#### Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

#### Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

# Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 [new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#) recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

For a full copy of the Ombudsman's Annual Review, see [Annual Review of Local Government Complaints](#).



# Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30<sup>th</sup> July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

**For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).**

**For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)**

## £2.44bn

Spent by local government in 2022/23 on homelessness services

## 60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

## 15

Cross-government boards that have a remit relevant to homelessness



National Audit Office



# The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman’s membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints’ function, including promoting internal cooperation and engagement with the complaints process;
- Don’t lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord’s full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident’s experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord’s opportunity to regain a resident’s trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council’s relationship with residents.





# Devolution

On 16<sup>th</sup> July 2024, the new Deputy Prime Minister wrote a [Letter to Local Leaders](#) setting out the new government's ambition to:

- Devolve new powers over transport, skills, housing, planning and employment support;
- Provide more regions with integrated settlement and with access to financial flexibility;
- Move away from a deal-based approach, "setting out clear conditions and a clear offer in return for places seeking devolution agreement"; and

Enshrine a presumption towards devolution, so that places can take on new powers automatically if they meet certain conditions.

In the English Devolution Bill one day later, the government started arrangements to legalise a new devolution framework; address within it growth drivers such as employment and planning; and make devolution the "default setting".

How and when the details of the new devolution revolution will work remains to be seen, but the Deputy Prime Minister has made it clear that new arrangements will be tailored to sensible economic geographies so that local leaders can act at the scale needed to effectively deploy their powers. In most cases that will require councils to come together in new combined authorities. Councils are now encouraged to begin discussions with their neighbouring authorities on this basis.

Members will need to start asking themselves both how ready their organisation is, and how ready their neighbours are.



## Ministry of Housing, Communities & Local Government



# 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](mailto: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>



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# Agenda Item 13

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 14

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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of the Local Government Act 1972.

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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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