



Public Document Pack STROUD DISTRICT COUNCIL

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31 January 2022

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 8 FEBRUARY 2022** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**

Kathy O'Leary
Chief Executive

Please Note: The meeting is being held in the Council Chamber at Stroud District Council and will be streamed live on the Council's [YouTube Channel](#). A recording of the meeting will be published onto the [Council's website](#). The whole of the meeting will be recorded except where there are confidential or exempt items, which may need to be considered in the absence of press and public.

Due to the Covid-19 pandemic, a maximum of 6 members of public will be permitted in the Council Chamber at any one time, if you would like to attend this meeting please contact democratic.services@stroud.gov.uk.

A G E N D A

1. **APOLOGIES**
To receive apologies of absence.
2. **DECLARATION OF INTERESTS**
To receive declarations of interest.
3. **MINUTES (Pages 3 - 12)**
To approve the minutes of the meeting held on 30 November 2021.
4. **PUBLIC QUESTION TIME**
The Chair of the Committee will answer questions from members of the public submitted in accordance with the Council's procedures.

DEADLINE FOR RECEIPT OF QUESTIONS Noon on Wednesday 2 February 2021

Questions must be submitted to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and can be sent by email to Democratic.services@stroud.gov.uk

5. **CONTRACT MANAGEMENT FRAMEWORK (Pages 13 - 46)**
To present to committee the contract management framework.
6. **MANAGEMENT UPDATE - ICT SERVICE DESK (Pages 47 - 54)**
To provide the Committee with an update on the progress made against the management actions to address the recommendations.
7. **RISK MANAGEMENT UPDATE (Pages 55 - 60)**
To update the Committee on the review of Risk Management Arrangements and give an oversight of the Corporate Risk Register.
8. **INTERNAL AUDIT PROGRESS REPORT 2021/22 (Pages 61 - 80)**
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22.
9. **ANNUAL GOVERNANCE STATEMENT 2020/21 IMPROVEMENT PLAN - UPDATE (Pages 81 - 86)**
To provide assurance to the Committee that the improvement areas and associated actions identified as part of the annual review of governance arrangements operating within the Council, have been or are being addressed.
10. **TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2022/23 (Pages 87 - 118)**
This report outlines the Council's prudential indicators for 2022/23 – 2024/25 and sets out the treasury strategy for this period. It fulfils three key reports required by the Local Government Act 2003:
 - reporting prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
 - a treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management;
 - an investment strategy in accordance with the DLUHC investment guidance.It also fulfils the statutory duty to approve a minimum revenue policy (MRP) statement for 2022/23.
11. **LIMITED ASSURANCE MANAGEMENT UPDATE - OUT OF HOURS EMERGENCIES (Pages 119 - 152)**
To provide the Committee with an update on the progress made against the management actions to address the recommendations.
12. **STANDING ITEMS**
(a) To consider the Work Programme for 2021 / 22 (Pages 153 - 154)
13. **REPORTS FOR INFORMATION**
(a) Information Sheet - Briefing Note on the Audit, Risk and Assurance Improvement Journey. (Pages 155 - 158)
14. **MEMBER QUESTIONS**
See Agenda Item 4 for deadlines for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker
Councillor Stephen Davies
Councillor Nick Hurst
Councillor Norman Kay

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson
Councillor Ashley Smith
Councillor Rich Wilsher

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AUDIT AND STANDARDS COMMITTEE

30 November 2021

7.00 - 9.22 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Stephen Davies

Councillor Norman Kay

Councillor Nick Hurst

*= Absent

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson

Councillor Ashley Smith

* Councillor Rich Wilsher

*

Officers in Attendance

Strategic Director of Resources

Strategic Director of Communities

Monitoring Officer

Head of Audit Risk Assurance

Head of Development Management

Principal Accountant

Principal Auditor

Development Team Manager

Operations Manager

Senior Policy and Governance Officer

Democratic Services & Elections Officer

Other Member(s) in Attendance

Councillors Cornell

ASC.025 Apologies

Apologies for absence were received from Councillors Wilsher and Hurst.

The Chair proposed and received agreement from the Committee to move Agenda Item 8 to the beginning of the meeting, after Agenda Item 4.

ASC.026 Declaration of Interests

There were none.

ASC.027 Minutes

It was agreed to correct the title of the report under section ASC.019 Statement of Accounts 2021/22 to 'Statement of Accounts 2020/21'. Furthermore, The Chair requested that in the restricted minutes the sentence regarding monitoring would be changed to read 'closely' instead of 'a lot closer'.

RESOLVED **That the Minutes and Exempt Minutes of the meeting held on 28 September are approved as a correct record subject to the amendments listed above.**

ASC.028 Public Question Time

There were none.

ASC.029 Risk Management Update

The Strategic Director of Resources introduced the report to the Committee and reiterated the importance of risk management to the Council. He drew the Committees attention to the following changes:

- Members could no longer directly access Excelsis.
- The new Council Plan had been agreed.
- The current Risk Management arrangement process was in being full reviewed.

He also showed the Committee the corporate risk register which had been circulated prior to the meeting and explained that all of the risks had been reviewed in line with their timetables.

The Strategic Director of Resources gave the following answers in response to Councillors questions:

- The risk management report RAG status needed to be reviewed and updated.
- Excelsis was used for risk management and performance but due to difficulties accessing the system with Office 365 it would be replaced in 2022.

Councillor Kay raised concerns over the risk surrounding CCR9 in Appendix A which related to waste and recycling. The Strategic Director of Resources explained this would always be a risk due to budget and external pressures such as employment costs, however, there was a good system of control surrounding this to minimise the impact on the Council.

The Chair proposed the amendment to accept the report and note for future reference and received agreement from the Committee.

Resolved **To accept and note for future reference:**
a) The Progress on the Risk Management Review
b) The Current Corporate Risk Register at Appendix A

ASC.030 Internal Audit Progress Report 2021/22

The Head of Audit Risk Assurance (ARA) introduced report and explained that it consisted of 3 activities and further explained each activity.

With regards the Green Homes Grant it was confirmed that the grant conditions had been complied with and there had been one recommendation for corporate guidance to be

2021/22

created The assurance and consultation activities were both based around the planning department; Planning Enforcement and Planning Applications. The Head of ARA drew the Committees attention to the length of time that was put into these two pieces of work, which resulted in a change to the Internal audit plan found on page 35 of the document pack. He also drew the Committees attention to the large amount of consultation work undertaken within the planning enforcement report and, as a result of this work, they had drafted a business improvement plan with clear actions and deadlines.

Councillor Kay commended Internal Audit for producing two high quality audit reports.

In response to a question from Councillor Kay, the Head of ARA explained that the planning team were already aware of many of the issues prior to the audit such as IT issues and Staffing levels. The piece of work completed was a challenge in itself due to the volume of work required but the resulting action plan identified all of the issues and if accepted would help to resolve them.

Councillor Davies asked questions and received the following answers:

- The service had required additional temporary agency staff that year to support with the work load and although there had been no formal decisions or proposals with regards the budget at that time. The Strategic Director of Resources confirmed that where there was an urgent need for resources additional support would always be provided.
- The Head of ARA agreed to respond outside of the meeting to Councillor Davies with the specific figures surrounding the details of the Parish and Town Councils' complaints.
- Page 52 referenced training to be provided to Councillors and Town and Parish Councils.
- It was confirmed that the Head of Development Management met with the Chair of the Development Control Committee (DCC) on a weekly basis.
- The KPI's were agreed to be circulated to the DCC bi-annually, the most recent taking place at the October 2021 meeting. It is then circulated as part of the weekly update sent to all Members.

Councillor Davies raised a concern that the report did not contain enough information. He requested further information surrounding communication with Parish Councils including; figures surrounding Parish Council complaints, which ones where acknowledged, acted upon or action taken against.

Councillor Pearson raised concerns over the reticence of the Council to follow through with enforcement action and questioned if this was apparent in the feedback from the consultation. The Principal Auditor confirmed that there was reference to that in the consultation.

In Response to questions the Head of Development Management gave the following answers:

- Enforcement Officers were not qualified planners as it was not essential for the role, not many qualified planners went into enforcement.
- It was difficult to recruit for the enforcement team which was a common theme among other councils.

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- There was a priority system in place for enforcement as well as a triage system. One of the proposals of the business plan is to strengthen those systems.
- SDC had purchased a new case management system which would enable officers to see the cases as they made their way through the process.
- During an investigation, as the case progressed into its final stages, it would be viewed by qualified planners.
- Once a case is closed the complainant should receive a formal notification. This had previously been a problem area and would be looked at as part of the business improvement plan. There would be a new process set up which would be aided by the case management system, to provide tailored responses to the complainants.
- The enforcement process was not a straightforward process and required all other attempts to resolve before enforcement action was taken.

Councillor Pearson questioned whether there was a difference between breaching an approved planning consent with conditions and building without planning consent, to which the Head of Development Management explained there was not a difference with regards to enforcement. She further explained that in order to take enforcement action they needed to prove material harm. She then informed the Committee that the Government had identified this issue in the white paper and were planning to strengthen the process and provide Councils with greater powers.

In response to further questions, the Head of Development Management and Development Team Manager confirmed:

- There were plans in place to provide Parish and Town councils with the current enforcement process so they knew what to expect.
- The report which was taken to DCC in October contained enforcement figures which included how often notices were served.
- When enforcement action was undertaken, it was not widely publicised however, it was published on the planning register which is publicly available.

In response to concerns raised by Councillor Davies, the Head of Development Management confirmed the following:

- An agreement with the applicant/agent was required for every extension of time.
- Most extensions were a result of outstanding responses from third party consultees such as Gloucester County Council (GCC) Highways and The Environment Agency.
- It was their intention to use the results from the Audit Report to approach the third parties to raise the issue further.

The Chair questioned whether they could extract data to show if SDC was at fault for a time extension or whether it was due to third parties correspondence to which, the Head of Development Management confirmed that could be done.

Councillor Percy questioned whether there were plans to reinstate the Parish and Town Council Forum. The Strategic Director of Resources confirmed that this was the case and they were working on re-establishing that forum.

The Chair proposed to accept the report with the caveat that additional work be undertaken with regards to the communication with Parish Councils and the

determination with what happens with enforcement as requested by Councillor Davies earlier in the meeting.

Councillor Davies seconded.

Councillor Kay debated whether it should be a recommendation to the DCC.

Councillor Davies proposed the amendment to add in a time scale to bring the additional information back by the April Committee.

The Head of ARA informed the committee of the time constraints that the additional work would put on the Internal Audit Plan and asked the Committee to consider the benefits.

The strategic Director of Resources informed the Committee he would liaise with the Head of ARA to arrange for a date for the additional information to be provided. In the meantime, he asked the Committee to consider accepting the report in order to progress the action plan for the Planning department.

Councillor Davies amended his original amendment to request that a report was brought back to committee within an agreed timescale as opposed to the April Committee. The amendment was confirmed by the Committee and the Strategic Director of Resources informed the committee he would confirm the date at the next Committee meeting.

After being put to a vote, the amendment was carried.

Councillor Davies proposed and Councillor Kay seconded.

After being put to a vote, the Motion was carried.

RESOLVED To accept the report with the request that additional information can be completed and brought back in an agreed timescale to Committee and note for future reference:

- a) The progress against the Internal Audit Plan 2021/22; and**
- b) The assurance opinions provided in relation to the effectiveness of the Council's control environment**

ASC.031 Half Year Treasury Management Report 2021/22

The Principal Accountant introduced the report to the committee and explained that the Treasury Management Strategy Statement was approved by Council in February 2021. He drew the Committee's attention to a few key areas within the report:

- Table 1 on page 111 of the Document Pack. Set out the performance of the Councils investments in Q1 and Q2. The average investment in Q1 was £68.6 million and in Q2 it was £68.8 million.
- Table 2 on page 112 of the document pack which showed the performance of the fund investments for the half year and the return on each investment type. The capital value of funds at the end of September totalled £10.3 million after an initial investment of £10 million.
- Table 3 on page 113 of the document pack showed the detail regarding where the funds were invested.
- Page 114 of the document pack set out the external borrowing of the Council.

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- Page 119 of the document pack showed a detailed economic analysis which recorded inflation persisting above the 2% rate and expectations of interest rate rises.

The Principal Accountant informed the Committee that the Prudential Code and the Treasury Management Code were in a revision process and were due to be published mid-December. He further explained there would be a soft implementation due to the tight timescales and it would be fully implemented for the 2023/24 strategy.

In response to the Chair, the Principal Accountant confirmed that the initial £9 million was invested in Autumn 2019 and a further £1 million invested in 2020.

The Strategic Director of Resources informed the committee that there had been a training session organised for the 17 January 2022 for treasury management and ethical investment policy and encouraged all Members to attend.

Councillor Pearson proposed and Councillor Pearcy seconded.

After being put to a vote, the Motion was carried.

RESOLVED To accept the Treasury Management half year report

ASC.032 Procurement Update

The Senior Policy and Governance Officer introduced the report to the Committee and explained that it consisted of three main areas:

Procurement Consultancy Report

There were 5 recommendations that arose from this report which included:

1. The Policy and Governance Team were to become the second line of defence in terms of Procurement and contract management. They have created quarterly dashboards which details the procurement activity taking place in each services area.
2. Keep a register of agreed exemptions for contract extensions during Covid. This was closed when lockdown was lifted for the second time.
3. Induction Process for new members of staff had been reviewed and new members of staff no longer had access to the unit 4 financial management system until after they complete the procurement training.
4. To use the stand along contract register as part of the procurement system, this was ongoing and due for completion at the end of the year. The transparency requirements work had been completed.
5. Ensure contract award notices had been published onto the governments contract finder website. This is now completed monthly.

Audit Recommendations for the OOH Report.

The Senior Policy and Governance Officer explained there were 5 recommendations that related to policy and governance guidance, which she was happy to circulate via e-mail to any Councillor, should they request it.

Contract Management Framework

She explained that there was an error on the first page of the policy stating that it had been approved by the Audit and Standards Committee which she confirmed was

2021/22

incorrect. She further explained it was for the Committee to look over and make comments and it would come back in February for approval once it was finalised.

The Senior Policy and Governance Officer confirmed to Councillor Davies that they were receiving regular updates regarding starters and leavers within the Council.

The Senior Policy and Governance Officer provided the following answers to questions asked:

- Dates and timescales would be provided for the training mentioned on page 123 of the document pack.
- The mandatory requirements of the Transparency Code dictated for all contracts above £25,000 to be recorded however they would be working towards the desirable requirements which included all contracts over £5,000.

Councillor Pearson raised concerns with item 4.3 a) in the Contract Management Policy which made it seem as though contracts under £25,000 did not have to follow the same procedural requirements. The Senior Policy and Governance Officer advised that would not be the case and agreed to amend the wording in the report to reflect that.

In response to a question raised by the Chair, the Senior Policy and Governance Officer explained the process behind how they keep track of the software supplier renewal dates. She explained this was a piece of work they were currently undertaking and had already created the guidance framework to ensure contracts were being renewed and not just rolling over.

The Chair proposed the amendment to accept the report and note for future reference.

Councillor Davies seconded.

After being put to a vote, the Motion carried unanimously.

The Strategic Director of Communities gave a brief update on the actions that had been put in place for the upcoming holiday period. He reassured the committee the action plan developed had been fully implemented and were all on target with their timescales. He drew the Committees attention to a few key actions which included:

- The holiday rota had been created.
- Escalation officers had been informed of the on call staff and the back-up staff should anyone fall ill.
- The OOH call handling provider had been given a flow chart for the SDC procedures and training was already underway.
- Additional staff had been called in on the 3 working days between Christmas and new year to re-visit any emergency repairs undertaken over Christmas.
- A detailed report would be brought back to this Committee in February.

The Strategic Director of Communities informed the Committee that they had received notice from the OOH telephone service that they would be closing their contract at the end of February. He assured the Committee between now and the end of February they would procure a replacement contractor using a framework agreement.

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The Strategic Director of Communities gave the following answers to questions from Councillors:

- The consultation with One legal on the original audit report had been completed and their recommendation was to revert to the original recommendation in the report.
- The contractor handed in their notice due to a wider issue for them and was not directly linked to Stroud District Council (SDC)

The Operations Manager confirmed to the Chair that there was sufficient stock of heaters and an order had been place for additional heaters to be held at the depot during the holiday period as a backup.

Resolved To accept the report and note for future reference

ASC.033 External Audit Procurement

The Strategic Director of Resources introduced the report and explained the reason for this report was due to the current 5-year term coming to an end. He further explained the difficulties around appointing external auditors and explained that the Public Sector Audit Appointments (PSAA) would be able to assist with their bulk buy discount negotiations. The other option would be to do with through SDC's own procurement which could be very costly.

In response to Councillor Kay's question, the Strategic Director of Resources explained that last year 91% of Councils missed the accounts deadline which was recognised as being a system fault. He also confirmed that SDC was one of those Councils.

Councillor Kay requested that the Vice-Chair be included in the consultation to which the Strategic Director of Resources confirmed.

The Chair questioned whether the district Councils were missing from the list of eligible participants on page 176 of the document pack. The Strategic Director of Resources confirmed District Councils were eligible and could possibly be included in the last bullet point but he would check.

Councillor Baker proposed and Councillor Smith seconded.

After being put to a vote, the Motion was carried.

RECOMMEND That:

- TO COUNCIL**
- a) The Council again becomes a member of the PSAA scheme for the appointment of external auditors for the five years from April 1st 2023**
 - b) Authority is delegated to the Strategic Director of Resources to accept the PSAA invitation and to complete the appointment process as necessary.**

ASC.034 Members Code of Conduct - Gifts and Hospitality

Councillor Davies questioned whether he would have had to disclose hospitality received if he had already disclosed it as a County Councillor. The Monitoring Officer confirmed it was only necessary to disclose once.

Councillor Pearson proposed and Councillor Davies seconded.

After being put to a vote, the Motion was carried.

RECOMMEND That the Code of Conduct be amended to include the reference to
TO COUNCIL Gifts and Hospitality as set out in this report.

ASC.035 **To consider the Work Programme for 2021/22**

The Chair requested that the following items be included in the work programme:

- Climate change action - value for money
- Canal restoration funds
- ICT report back
- OOH risk register review
- Risk management report 2022
- Grant certification risk
- Follow up enforcement report

RESOLVED To note the Work Programme

ASC.036 **Member Questions**

There were none.

The meeting closed at 9.22 pm

Chair

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 8 FEBRUARY 2022

Report Title	Contract Management Framework			
Purpose of Report	To present to committee the contract management framework.			
Decision(s)	The Committee RESOLVES to: a) Approve the Contract Management Framework b) Agree that the Contract Management Framework will be reviewed annually by the Audit & Standards Committee. c) Agree that the Strategic Director of Resources has delegated authority to make minor amendments to the framework.			
Consultation and Feedback	Consultation has been held with Leadership and Management Team. Strategy and Resources Committee and Audit and Standards Committee have also provided feedback.			
Report Author	Sarah Turner, Senior Policy and Governance Officer Email: sarah.turner@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Contract Management Framework includes: Appendix 1 – Contract Management Statement of Principles Appendix 2 – Contract Management Policy Appendix 3 – Contract Management Procedure Appendix 4 – Renewing Software Contracts Guidance Appendix 5 – Contract Management Plan Template Appendix 6 – Contract Variation Form Template Appendix 7 – Contract Extension Form Template			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. BACKGROUND

- 1.1 The Senior Policy & Governance Officer advised this Committee at its meeting in November that the revised Contract Management Framework would be brought to this meeting for their consideration and approval.
- 1.2 The framework has been updated to incorporate audit recommendations from several different audits relating to contract management.

2. MAIN POINTS

- 2.1 The Contract Management Framework has been developed to provide a clear and consistent approach to contract management across the authority to manage contracts for goods, works and services.

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2.2 The Leadership and Management Team have been consulted on this framework, and following approval, the Policy and Governance Team will provide training for all staff in terms of awareness raising and more specific training for staff directly involved in contract management. This will include a module in our induction training as well as online training on the Council's e-learning system.

2.3 Good contract management enables us and our suppliers to meet our contractual obligations at an agreed cost and quality by monitoring the contract throughout its lifecycle. The effective management of contracts with suppliers is essential to maximise benefits and achieve our corporate objectives, these can be summarised as follows:

Business Benefits

- Maximises outcomes to the Council and our customers (i.e. the Council "gets what it is paying for") by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.

Value for Money

- Enables savings and benefits opportunities identified during the procurement or contract management process to be realised, whilst also ensuring the achievement of expected procurement outcomes.
- Enables further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation.

Risk Management

- Reduces contractual risks through the robust contract management practices.
- Ensures the Council is also aware of, and complies with, its own contractual and legislated obligations.

2.4 The new framework consists of the following documents, and a link to these has been provided in the background papers and a brief summary below:

- **Contract Management Statement of Principles**
The purpose of this document is to identify a set of principles that underpins our approach to contract management.
- **Contract Management Policy**
The purpose of the policy is to provide a clear and standardised approach to managing and administering contracts.
- **Contract Management Procedure**
The Contract Management Procedure sets a foundation for the implementation of a consistent approach to contract management across all service areas, in order to drive value from new and existing contracts.
It complements the Council's Procurement Strategy and recognises the aims and values set out within the National Procurement Strategy 2018.
- Various templates to support the new framework
 - **Renewing software contracts guidance**

Services are not going to replace or renew a software contract when all that is needed is an upgrade; however, the Council needs to have a procedure in place to manage software contracts; this document sets out the procedure for contract managers.

- **Contract Management Plan Template**

Sets out the plan for managing a contract including contract owners, objectives, mobilisation, performance, compliance, risks and issues, escalation and exit plan. It also has details of contract review meetings.

- **Contract Variation Form Template**

This form sets out the rationale and authorisation for contract changes / variations

- **Contract Extension Form Template**

Subject to an extension provision in the original contract this form enables the extension of a contract within an appropriate timescale and incorporating evidence of satisfactory performance. It also includes an authorisation process.

3. TRAINING AND IMPLEMENTATION, AND REVIEW OF THE FRAMEWORK

3.1 The framework will be published on both the staff and member's hub.

3.2 All staff will be offered training on the contract management framework; initially this will involve the Policy and Governance team attending services team meetings to raise awareness and provide details of the framework.

3.3 Details of the contract management framework will be incorporated in the mandatory staff induction training on procurement. Training on the framework will also be included in the Council's online e-learning package.

3.4 The Policy and Governance team will review a sample of contracts on a quarterly basis to ensure compliance with the framework; the procedure for these reviews is currently being developed.

3.5 The contract management framework will be reviewed by the Audit and Standards committee on an annual basis.

4. IMPLICATIONS

4.1 Financial Implications

There are no direct financial implications from adopting the framework.

Effective contract management is a vital component of mitigating risks and protecting Council resources.

Andrew Cummings, Strategic Director of Resources

Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

There are no direct legal implications arising from this report.

One Legal

Tel: 01684 272203 E-mail: legalservices@onelegal.gov.uk

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4.3 Equality Implications

There are no direct equality implications in this report however equality matters must be considered throughout the procurement and contract management cycle of any contract.

4.4 Environmental Implications

There are no direct environmental implications in this report however environmental matters must be considered throughout the procurement and contract management cycle of any contract.

Appendix 1 - Contract Management Statement of Principles

The purpose of this document is to identify a set of principles that underpin our approach to contract management. These principles complement the contract management guidance.

1. Ensure that contracts are known and understood by all those who will be involved in their management.

Make sure that adequate resource is identified and appointed well before award of contracts and that there is an effective handover or transition from procurement to contract management.

2. Be clear about accountability, roles and responsibilities.

Ensure contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities at appropriate levels of seniority. Make sure contracts have a documented Contract Management Plan.

3. Establish and use strong governance arrangements to manage risk and enable strategic oversight.

Ensure that governance structures are proportionate to size and risk of contracts, are suitably empowered and support the business outcomes and objectives. Ensure appropriate business continuity and contingency plans are in place.

4. Adopt a differentiated approach based on risk.

Distinguish between operational and strategic contracts, direct the most/strongest resource to contracts where the risks and rewards are highest. Consider a 'self-managing' approach with exception reporting for lower risk contracts.

5. Manage contracts for business / public service outcomes.

The owners of the required outcomes should be accountable for successful contract performance. Focus on successful outcomes and take account of public service and accountability obligations and risks.

6. Accept that change will happen and plan for it.

Develop flexible approaches to change through joint working with suppliers; accept that change will affect both parties during the contract life, but control costs with robust change control mechanisms. Ensure that senior level assurance and controls are in place to prevent changes from altering the strategic intent of the contract.

7. Measure and report on performance and use KPIs and data efficiently to incentivise good performance.

Administer contracts proactively and efficiently, making maximum use of benchmarking and performance measurement data. Use a balanced scorecard to measure 'hard' data such as KPI performance alongside 'soft' measures e.g. customer satisfaction and relationship management, with a focus on achievement of outcomes. React quickly to issues when they arise. Ensure KPIs and incentives are appropriate and proportionate to the contract.

Challenge KPIs and incentives regularly and ensure a mechanism to change and evolve them through the life of the contract.

Agenda Item 5

Appendix 1

8. Drive continuous improvement, value for money and capture innovation.

Actively use contract tools and provisions to leverage the relationship, continually drive value for money and seek out and implement innovative ideas for improvement.

9. Accept that successful delivery of major projects is best achieved through a single fully integrated team.

Where the supplier and the client work as a single team with one focus, delivery of the successful outcomes is more likely to be achieved.

Contract Management Policy

January 2022

Policy & Governance

DRAFT

Last updated: New policy

Next document review by: March 2026

Reviewed by: Policy & Governance

Approved by: Audit & Standards Committee

Agenda Item 5

Appendix 2

1. Purpose

1.1 The purpose of this Contract Management Policy is to provide a clear and standardised approach to managing and administering contracts for goods, services and works purchased from suppliers.

What is Contract Management?

1.2 Contract Management enables councils and their suppliers to meet their contractual obligations at an agreed cost and quality by monitoring the contract throughout its lifecycle. Circumstances may change over the life of a contract, so contract management also involves managing changes and variations in terms of scope, terms and prices. It also enables appropriate contract forward planning to ensure that the Council achieves its objectives and that procurement takes place in a structured way in compliance with the law and the Council's rules.

Why is contract management important?

1.3 The effective management of Contracts with suppliers is essential to the Council in maximising the benefits and achieving its corporate objectives. These benefits can be summarised as follows:

Benefits of Contract Management	
Business Benefits	<ul style="list-style-type: none">• Maximises outcomes to the Council and our customers (i.e. the Council "gets what it is paying for") by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.
Value for Money	<ul style="list-style-type: none">• Enables savings and benefits opportunities identified during the procurement or contract management process to be realised, whilst also ensuring the achievement of expected procurement outcomes.• Enables further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation, etc.
Risk Management	<ul style="list-style-type: none">• Reduces contractual risks through the robust contract management practices.• Ensures the Council is also aware of, and complies with, its own contractual and legislated obligations.

1.4 Specific policy objectives are set out in our Statement of Principles and are to ensure:

- Business needs are achieved;
- Standard approach is undertaken;
- Compliance with legislative and administrative arrangements;
- Support the objectives of the Council's Procurement Strategy;
- Contracts are managed in a manner that facilitates business delivery while minimising risk;
- Contracts are managed maximising financial and operational performance;
- Consistency in Council's procurement activities;
- All staff are adequately skilled and trained, and understand their roles and responsibilities under a contract.

2. Scope

2.1 This Policy commences in the Post-Contract-Award stage of the Procurement Life-Cycle. The Pre-Contract Award stage is covered by Council's Contract and Procurement Procedure Rules (CPPRs) and Procurement Manual and guidance on the Hub

2.2 This Contract Management Policy applies to all Council staff and contractors that are involved in the management of supplier Contracts on behalf of Council.

2.3 This Policy applies to all Contracts and any other documents that create legally binding obligations on the Council for the procurement of goods, services and works which may include procurements which are simple in nature and low risk. Further, it applies to a Contract until all contractual obligations have been completed.

2.4 The following are excluded from this Policy:

- Employment contracts,
- Non-binding Memoranda of Understanding,
- Grants,
- Partnering and collaborative contracts with other public sector organisations.

3. Definition of Terms

Term	Meaning
Contract	An agreement, exchange of letters, heads of agreement, deeds of agreement, binding memorandum of understanding, response to tender, grant application, trust deed and any other document which creates or which may create binding obligations on the Council and on the other party / parties to the contract
Program Manager	The responsible officer (usually a Senior Manager) for overseeing the contract and any major contractual changes and strategies. The Program Manager or Director (owner) appoints the Contract Manager.
Contract Management	Refers to all activities at the commencement of, during and after the contract period, to ensure that all contractual obligations have been completed.
Contract Owner	The Council staff member who is ultimately accountable for the outcomes of the contract, usually the Strategic Director or Head of Service with the Delegated Authority. The Contract Owner approves contract variations, including extensions, as well appoints the contract management roles.
Contract Manager	The Council staff member nominated to be responsible for the management of the administration and management of a contract.
Contract Register	A register maintained for all procurements valued at over £5,000
Contract Variation	Is an addition or alteration to the original contract and may include a change to the scope of the contract, value of the contract, the contract options to be exercised, contract prices and quantity purchased.
Contractor	The supplier or the service provider (the other party) under a contract.
Value of a Contract	The value of a contract is whichever of the following values (including VAT) is appropriate to the kind of contract concerned: <ul style="list-style-type: none"> • The total estimated value of the project, or • The total estimated value of the goods, services or works over the term of the contract

4. Policy Statement

4.1 Contract Management

The function of contract management is the management of Contracts formed with Contractors to ensure delivery of goods, services and works as agreed over the life of the Contract.

The management of a Contract may extend beyond the current term of the contract when there are ongoing obligations associated with maintenance agreements, warranties and guarantees.

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4.2 Stages in the Contract Management Life Cycle

- **Stage 1 - Contract Commencement:** How to initiate and plan the contract management process
- **Stage 2 - Contract Management:** How to manage and administer contracts
- **Stage 3 - Contract Close Out:** How to close and transition contracts

Stage 1 - Contract Commencement - starts before a contract is signed

- Successful Contract Management is highly influenced by activities performed prior to contract award.
- Ensuring that contract terms, conditions, scope and deliverables, KPI reporting and relationship management are clearly established in the signed contract and understood by all parties, is fundamental for effective Contract Management.

Stage 2 - Contract Management – runs until formal closure

- Properly managing supplier performance with respect to outcomes and deliverables clearly specified and agreed in the contract will help ensure Council and its customers obtain the business benefits and value for money within target timeframes.

Stage 3 - Contract Closure – the formal conclusion

- The contract close-out is the stage for closing-out Contract obligations and liabilities with suppliers.
- It may also include transitioning to another supplier for the goods, services or works.
-

4.3 Mandatory Requirements applying to contracts

The following **minimum requirements** apply to all Council contracts **valued at £25,000 or more**:

- a) Staff must adhere to Council's procurement policies, procedures and processes, specifically the Contract and Procurement Procedure Rules.
- b) Specific contract details must be entered into Council's **Contracts Register** - which is updated via the Hub
- c) A **Contract Manager** will be identified in the procurement plan form.
 - i. The Contract Manager may manage a contract valued at more than their level of financial delegation. However, the Contract Manager must not approve or incur expenditure on goods, services or a project valued at more than their level of financial delegation. Note, this also applies to any changes (variations) to the original price of procurement.
- d) Council developed and recommended **Contract Templates** must be used.
 - i. Staff must use Council developed and recommended contract templates at all times, or recognised suites of templates
 - ii. Specific advice should be sought from One Legal or the Policy & Governance team during the planning stages of procurement to determine the appropriate terms and conditions that should apply.
- e) All Contracts must include appropriate **clauses** in the areas of:

Work Health & Safety;
Quality Assurance;

Environmental;
Financial Capability;
Insurance;
Industrial Relations;
Performance;
Code of Conduct;
GDPR.

That allow and support contract compliance and risk management, with having regard to project value, requirements and complexity.

f) All Contracts must include appropriate **Commercial clauses** in the areas of:

Payments and Retentions (or security);
Price Adjustments;
Delay to Completion (or delivery); and
Processes to Resolve Claims and Disputes.

That allow managing or regulating variations to the original contract, having regard to project value, contract requirements and complexity.

g) Obtain all relevant **approvals and licences** prior to commencement: of the contract planning and engagement (entering into a contract).

h) **Contract performance of all contracts valued at £75,000** or more must be regularly monitored, evaluated and reported.

- i. This is required at least annually over the term of the contract, and upon completion and upon conclusion of a contract.
- ii. Complete and document performance evaluations and register in Council's records management system.

4.4 Contract Variations

All Contract Variations must be approved in writing in accordance with the contract and be approved by the appropriate delegated officer.

4.5 Code of Conduct

The Council Employee Code of Conduct must always be adhered to in the management of contracts on behalf of Council.

4.6. Role of Contract Manager

The responsible Contract Owner or Program Manager assigns the day to day management of a contract to the Contract Manager.

The Contract Manager has many and varied responsibilities in undertaking the day to day management of a contract. Some key responsibilities are outlined in the Responsibilities table.

For the purpose of this Policy, staff that are responsible for managing procurement that is simple in nature and low risk, will be considered a Contract Manager. Therefore, staff must manage all related legally binding obligations on the Council in an appropriate manner in accordance with this Policy.

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4.7 Contract Disclosures

In accordance with relevant Public Contract Regulations and Transparency legislation the Council will maintain and publish a register of all Council contracts that records key information about each contract Council enters into with suppliers which has or is likely to have a value of £5,000 or more, excluding VAT.

5. Responsibilities

Position	Responsibility
Employees	<ul style="list-style-type: none">• Are responsible for managing contracts in accordance with Council's contract management framework and in a manner that is appropriate for the complexity and risk of the procurement activity.
Policy & Governance Team	<ul style="list-style-type: none">• Development of the Contract Management Framework.• Maintaining Council Contracts Registers and appropriate disclosure of Contracts valued at £5,000 or more.
HoS and Managers – supported by the Policy & Governance Team	<ul style="list-style-type: none">• Regularly monitoring and evaluating contracts valued at £25,000 or more and reporting on at least annually.
SLT	<ul style="list-style-type: none">• Overall implementation of the Framework.
Strategic Directors, HoS & Managers	<ul style="list-style-type: none">• Facilitation and oversight of contracts on the contracts register within their respective portfolio.• Appointment of a suitably qualified, capable and adequately skilled Contract Manager according to the level and complexity of a contract.• Ensuring the Contract Manager has adequate skills in managing contracts.• Assigning the day to day management of a contract to a Contract Manager.
Contract Manager	<ul style="list-style-type: none">• Development, negotiation, execution and management of contracts in accordance with approved policies, procedures and processes.• Ensuring contracts valued at £5,000 or more are registered in Council's Contracts register.• Day to day management of assigned contracts.• Clearly defining in contracts the performance standards, review mechanisms and deliverables required from contractors.• Ensuring contracts are managed in compliance with approved policies, procedures and processes and all client obligations contained in contracts are fully satisfied.



Contract Management Procedure

Contents

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1. Introduction

This procedure has been created as part of the Contract Management Framework in conjunction with, the Contract Management Policy and Statement of Principles; it also compliments the Council's Procurement Strategy. Furthermore, it recognises the aims and values set out within the National Procurement Strategy 2018.

The Contract Management Procedure sets a foundation for the implementation of a consistent approach to contract management across all service areas, in order to drive value from new and existing contracts.

As well as implementing consistent cross-service processes for contract management, the Council aims to improve existing supplier relationships through increased effective engagement and at the same time maximise spend with local businesses and SMEs.

2. Purpose of Contract Management

The function of Contract Management is to:

- ensure a contract is successfully executed
- provide a formalised method of monitoring supplier performance against contract requirements
- ensure that there is clarity of the roles and responsibilities by all parties relating to contract management
- monitor overall compliance by all parties to the terms of the agreement and contract, refining and improving KPIs, SLAs and service delivery through honest, open communication between the supplier and the Council, delivering improvements to both parties
- improve and develop relationships with key supplier representatives based on mutual trust and understanding, open communications and a joint approach to managing delivery
- realise estimated and planned savings through continuous monitoring of spend
- identify potential additional savings and benefits through proactive contract management
- co-ordinate the supply chain
- provide a focus for development of initiatives / innovation
- deliver learning and knowledge transfer
- drive continual improvement
- Ensure effective and timely procurement planning

3. Aims of this Document

Supporting the objectives set out in the Council's Procurement Strategy, this procedure aims to provide a standard corporate approach and guidance to contract management, defining clear ownership for operational day-to-day management throughout the lifecycle of a contract.

This procedure will achieve its aims by defining the procedure for developing and maintaining close relationships with business partners and key providers, and creating a consistent, standard contract management process, applicable to all goods, services and works.

4. Determine Level of Contract Management

It is important when developing the Contract Strategy to determine the level of management required for the proposed contract once awarded, based on size, value and organisational risk, as this will influence and determine the frequency and content of supplier review meetings.

Guidelines are given below, but each service, will need to consider the appropriate level of management required for individual contracts, by considering factors such as:

- value and length of contract,
- business criticality and dependency,

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- number of customers / end-users,
 - public visibility,
 - openness to complaints or challenges,
 - risk,
 - performance criteria; and
 - compliance with requirements of governing bodies.
- **Low level** - ensuring compliance to the contract by monitoring management information from the supplier, end-user feedback, managing delivery, and compliance of the contract.
 - **Medium level** - managing the performance of the contract and the supplier through management information monitoring, end-user feedback and a minimum of one performance review meeting held per annum.
 - **High level** - managing the performance of the contract and the supplier using a combination of management information monitoring, and quarterly (or other frequency determined) meetings.

5. Priorities

Priority areas to achieve contract management objectives include the:

- Implementation of standardised templates for managing and documenting supplier meetings consistently across all commodity / category areas.
- Incorporation of a mechanism to review council performance and feedback within review meetings
- Introduction of management meetings with identified key suppliers for each category, with an aim of continuous improvement in the execution of contracts.
- Regular review of both contract performance and supplier performance through structured joint and service-inclusive meetings to improve output, savings and knowledge, and to reduce risk
- Encouragement of prime contractors to engage with local suppliers and SME's through the inclusion of Community Benefit / Sustainability clauses, and early engagement in commodity strategies
- Standardisation of the supplier management process, and implementation of rigorous controls to manage the supplier database and transactions within Procurement systems.
- Continual review of the Contract management process to ensure it remains fit-for-purpose.

6. Contract Process

This document sets out the procedure that is used to manage contracts and the supplier relationship post-supplier selection and contract award. Equally, it applies to the management of existing contracts.

The Contract Management process begins with migration and mobilisation, and continues through a post-contract award meeting with the successful supplier, which as a guideline, should be conducted within 1-3 weeks of the contract award. Contract award is after the standstill period (where applicable) and before the contracts are completed as the KPIs need to be included in the contract documents.

The purpose of this meeting is to discuss the contract implementation phase and agree roles, responsibilities, identify activities and agree SLA's, KPI's, timescales and expectations. It is important to keep in regular contact with the supplier during the contract implementation phase and to arrange meetings and maintain open dialogue throughout.

7. Contract Implementation

Contract Implementation consists of three distinct phases:

- **Mobilisation** - the process of moving from contract award to 'go-live' i.e. the point when a user can actually buy from the contract
- **Migration** - facilitating the movement of an organisation to a new contract post 'go-live'
- **Communication** – ensuring all stakeholders are aware of the contract and what it involves

Actions that should be considered to migrate and mobilise a contract include:

7.1 End-User Information Packs

An information pack may be required to communicate and publicise the contract to inform end-users of its content, which can contain key information about the use of the contract including:

- contract objectives, details of the goods and services available, prices, supplier contact details, ordering and invoice process, returns / complaints / escalation process, and Contract management process.

Any information pack should be proportionate to the contract, and should demonstrate how it delivers best value and provides information relating to the benefits of the contract, e.g. cost savings, KPIs, SLAs, improvements in quality and service.

7.2 Supplier / Buyer Events

Depending on the size, value and risk level involved with the contract, a useful way to raise awareness of the contract amongst end users is to organising a Supplier / Buyer 'launch' event to give stakeholders who have yet to meet as part of the selection and award stage, the opportunity to meet each other, and present details of the contract and what it affords. This is also an opportunity to distribute information packs / buyers guides. Where a large number of users are affected, it may be useful to also publish a news item via the Intranet.

8. Council-wide Joint Contracts

Where services within the Council agree to carry out joint procurement of a contract to provide goods, works or services a lead service for the contract procurement and management will be identified as the Contract Manager.

The contract manager will be responsible for organising regular contract management meetings with the supplier and representatives from the internal services who are part of the joint contract. These meetings should follow the contract performance review meetings process as detailed in section 10.

9. Software Contracts

It is widely accepted that services are not going to replace or renew a software contract when all that is needed is an upgrade; however, there are certain parts of a contract that need to be reviewed and therefore a procedure in place to manage software contracts. Appendix 4 provides more detail on contract considerations for reviewing, renewing or replacing software contracts.

Process to Review, Renew or Replace

This section gives guidance on how software contracts should be reviewed, renewed or replaced, taking into consideration the following matters:

- All contracts should have an end date / identify any extensions
- Corporate impact of change
- Support needed for change
- Interfaces
- Benchmarking
- Functionality - Doing what it needs to do (or not?),

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- Value
- Risk
- Length been in place

Many companies lease systems and software on an annual basis and have to find a way of keeping track of renewal dates. Unfortunately, many software suppliers fail to notify customers of renewal dates and either continue to take direct debit payments or disable the software when payment is not received on time. Both can be equally detrimental to a business and can be avoided or mitigated by appropriate planning and monitoring.

It is important to review the cost and efficiency of leased services regularly to ensure that:

- a) the performance still meets requirements; and
- b) financially, it is the best deal in the market place.

The same applies to annual software maintenance payments, domain name renewals and even I.T. equipment which are leased.

10. The Contract Management Plan

Once the contract implementation has been completed and the level of management determined, a Contract Management Plan, see Appendix 5 for an example, should be constructed which outlines:

- Roles & responsibilities
- Agreed level of management (low/medium/high)
- Contract objectives
- Performance Management Framework, e.g. KPIs & SLAs
- Mobilisation Plan
- Migration Plan
- Contract Compliance
- Escalation process (within supplier organisation and the council)
- Review meeting schedule
- Risks & issues

This will need to be agreed with your supplier. All of these, in particular, the routes for escalation and the review meeting schedule should have been built into the initial Contract(s) Strategy and tender, with reference to the fact that a Contract Management plan will be developed.

11. Contract Performance Review Meetings

Performance Review Meetings are an important part of the Contract Management process and provide Service Users and the Supplier with an opportunity to focus on what is going well, identify any problems at an early stage and agree opportunities for improvement and innovation.

For contracts / suppliers where a **medium** level of management is being applied, there should be at least one performance review meeting per year. Meetings for Contracts / Suppliers where a **high** level of management is being applied should be held at least quarterly.

Meetings should focus on:

- i Review of Actions and Minutes from previous meeting(s)
- ii Supplier Business Review, with updates on new products / product developments, customer-affecting issues (e.g. product issues, recalls), complaints, etc.
- iii Council Business Review / Service Improvement Plan Update
- iv KPI review – (to determine current level of performance (Improving / Degrading)
- v Sustainability & Other Benefits Realisation
- vi Review of risks and Issues

- vii Issues for escalation
- viii Financial Monitoring (Spend monitoring, P2P, Invoicing, financial stability).
- ix Areas of Improvement (e.g. Innovation, new process)
- x Change Control

These are suggested agenda topics for discussion however these will need to be adapted for specific types of contract and / or suppliers.

The initial performance review or inaugural or kick-off meeting should also include a 'Lessons Learned' session with the supplier on the tendering and contract implementation process, and cover areas such as roles and responsibilities, performance levels, invoicing arrangements, etc.

Meetings should recur as agreed until the contract approaches its completion, and documented (minutes, actions, change in performance) throughout, with actions followed up as agreed.

Minutes of meetings and agreed actions should be communicated to all stakeholders following each meeting (supplier & service area management, Policy & Governance Team for SLT reporting).

12. Change Control

Changes (variations) to services, procedures or contracts are likely to occur throughout the lifecycle of a contract, especially lengthy and / or major, strategic contracts, which could have an effect on many aspects of the contract including:

- Service delivery
- Scope of work
- Performance
- Costs
- Product availability / changes to specification / obsolescence / revision of rates
- Whether the contract continues to represent value for money

The primary aim in managing variations is to minimise their likelihood, however sometimes change is inevitable, therefore the specification and management of change (Change Control) is an integral and important part of contract management and administration. Change control procedures should be included within the contract and discussed at the inaugural meeting.

The respective roles and responsibilities of both parties in the change control process must be clearly identified, along with procedures for raising, evaluating, costing and approving change requests.

A single change control process should be applied to all contract changes. Flexibility does however need to be built into the process to deal with issues such as emergencies. A change control process should provide clear steps and clearly allocated ownership and responsibilities for:

- Requesting changes
- Assessment of impact
- Prioritisation & authorisation
- Agreement with provider
- Control of implementation
- Documentation and communication of change
- Updates to terms & conditions where applicable

If a specific change, or cumulative changes significantly increase or decrease the scale or scope of the contract, the responsible Contract Manager must question the contract's ability to achieve best value and value for money overall.

Similarly, the Contract Manager must also ensure that any changes do not take the contract outside the scope of the original tender in relation to the UK thresholds advertisement, or permitted

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extensions to contracts. When this is in doubt, the change should be referred to the Policy & Governance team or One Legal for guidance.

The same level of diligence should be applied to contract variations as that applied to letting a contract.

13. Change Control Procedure

The change control procedure as detailed in the Contract should be used by services and supplier to enable changes to the contract, to provide clarity and documentary evidence of the change, and agreed actions. Appendix 6 details a contract variation template.

14. Contract Extension Procedure

Where a contract has an extension clause included, this should follow the contract extension procedure which includes the completion of the contract extension form see Appendix 7. This sets out the rationale for the contract extension with supporting evidence based on accurate and objective data, along with an appropriate authorisation for the extension.

There should be a timely review of contract performance well in advance of the proposed contract original expiry date.

15. Contract Failure Reviews and Reporting

Where severe and impactful underperformance has occurred in a contract, the Contract Manager must notify their Head of Service, Director and the Council's Monitoring Officer. Appropriate action must be taken as detailed in the contact terms and conditions.

A contract failure review must be undertaken and reported to Strategic Leadership Team for appropriate action to be taken and for lessons learned to be shared with staff.

A Head of Service or senior manager from a different service area and directorate from the service area where the contract failure has happened must undertake the review and produce a report, this must take place in a timely manner, within in a month of the contract failure. The report must, as a minimum, cover the following areas:

- Governance, process documentation, decision making and escalation;
- Definition of roles and responsibilities;
- Resource capability and capacity;
- Management information, reporting and contract data;
- Communication;
- Performance management and risk management,
- Measurement and monitoring of contract delivery; and
- Validation and assurance of supplier delivery and charges.

16. Exit Strategy and Lessons Learned

As a contract progresses, the Contract Managers will have responsibility for ensuring that both parties are working towards the planned fulfilment and exit of the contract, and the procurement process for securing subsequent supply arrangements if required.

The Exit Strategy should involve a full review of the Contract's performance. This should include a 'lessons learned' review which incorporates feedback from end-users and the supplier.

The final review and lessons learned should be clearly documented and communicated to appropriate stakeholders, as it may inform any subsequent procurement for similar commodities in the future.

Appendix 4 – Reviewing, Renewing or Replacing Software Contracts

It is widely accepted that services are not going to replace or renew a software contract when all that is needed is an upgrade; however, the Council needs to have a procedure in place to manage software contracts.

This section gives guidance on how you should review, renew or replace your software contracts, taking into consideration the following matters:

- All contracts should have end date
- Corporate impact of change
- Support needed for change
- Interfaces
- Benchmarking
- Doing what it needs to do (or not?), functionality
- Value
- Risk
- Length been in place

Software review checklist

Product:

- If perpetual licence – does the Council have the right to use unless breach?
- If term licence – are support and upgrades included?
- Licence types – is it concurrent, named?
- Licence definitions
- Affiliates usage permitted
- Do the Council have the ability to make backup, DR, TEST, DEV copies of software at no charge?
- Are pricing guarantees for incremental purchases included?
- Price increase caps on additional licences
- Electronic delivery of software
- Software warranty – time frame, language including free from time bombs
- Acceptance testing
- Existing licence trade-in
- Inability to change licence model w/o approval
- Training prices if applicable
- No ‘then current’ or ‘then in effect’ language
- No automatic renewals
- Manuals included for all purchases / upgrades
- Licence compliance guaranteed only if software delivered to designated group / dept
- Installation included with software price
- Language re: future product evaluation

Maintenance and support:

- Operating Systems Upgrade guarantee
- Escalation procedures
- Severity levels, service level response times
- Maintenance %, based on purchase price
- Caps on maintenance increases (3% or CPI)
- Specific support hours
- Support on discontinued product
- Separate billing of maintenance and support
- Discount on pre-paid maintenance
- Service credits for missed P1 calls / SLAs

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Terms and Conditions:

- Use of name clause
- Payments due net 30 days from receipt of undisputed invoice
- Protection against assignment of product
- Audit rights – 30 days, 15 business days

Software licences and maintenance: checklist

This checklist contains a list of the main issues for suppliers and services to consider when negotiating software licences and maintenance and support agreements.

Software licences and maintenance: main points for customers to consider

Validity of licence

- Does the supplier warrant its right to grant the licence and indemnify the service against infringement of any third party's rights? Are there any circumstances or conditions which suggest that the right to grant a licence might be subject to a third party's consent and, if so, has that consent been obtained?

Extent of licence

- Does the licence cover all the users who might reasonably be expected to use the software (for example, subsidiaries, associated companies, facilities management companies)?
- Does the licence contain restrictions on the uses to which the software might be put (for example, if it is only for the benefit of a named company) or on the manner of its use (for example, if it is only for use on a particular computer processing unit (CPU) or at a particular site)? If so, are these acceptable to the service?
- Is the term of the licence satisfactory?
- Are there commercial reasons for seeking restrictions on the extent to which the supplier may permit the software (or similar software) to be used by others?

(Note that licences that refer to hardware have sometimes produced results that are uncertain and unwelcome (from the service's point of view) when they have been applied to multiple-core servers and virtualised environments.)

Clear drafting of licence scope is key. The move to the cloud, APIs & interoperable systems makes clearly drafted licence scope terms critical.

Maintenance obligations

- Are maintenance obligations clearly defined? If different priority is to be given to different categories of fault, does the suggested prioritisation reflect the relative commercial significance of the faults to the user? Are the suggested response times and "times to fix" satisfactory? Can the support be given in all necessary languages at all necessary locations?
- If the supplier can terminate its maintenance obligations on notice, consider the effects of such termination. Can the user obtain satisfactory maintenance from a third party?

Fees

- Are the provisions as to licence fees clear and fair? Has best advantage been taken of any discount or "bundling" offered by the supplier? Does the agreement set out how any additional fees will be calculated if the service's use of the software changes (for example, by increasing the number of software users or sites)?
- Are the provisions as to maintenance fees clear and fair? Is third-party maintenance available and, if so, would it offer better value?
- To what extent are upgrades included in the licence and/or maintenance package? To what extent is continued maintenance dependent on the purchase of upgrades at additional cost (how many versions of the software does the supplier or maintenance company support)?

Rights to back-up, alter and maintain

- Does the licence allow the user to make copies of the software for back-up, testing or other purposes?
- Does the licence include the right for users (and consultants and others engaged or employed by users) to alter or maintain the software? If so, do they have appropriate access to the source code and any necessary tools?
- If the terms of access to the source code are covered by an escrow agreement, is the escrow agent reliable and are the conditions for release of the software clear and easily enforceable? Will the source code be kept up to date?

Delivery, installation and testing

- In what form is the software to be delivered (for example, on disc, CD-ROM or electronically) and when?
- Determine responsibility for installation.
- Obtain an acknowledgement from the supplier that any hardware or associated items which the service is purchasing for use in conjunction with the software are satisfactory for the performance of the software in accordance with its specification.
- Will the software be tested before acceptance? If so:
 - is the service clear what will constitute success: that is, are the service's requirements well understood and will the proposed testing regime ensure that they have been met?
 - do the proposed tests cover "real life" use; for example, will they accurately demonstrate the way the software will perform in the environment in which it is intended to function and with the volumes it is intended to handle?

Warranties and indemnities

- Expect as a minimum:
 - a warranty as to the licensor's right to grant the licence (see Validity of Licence) and an indemnity against third party claims;
 - a warranty as to the conformity of the software with its specification or description.
- Consider the need for specific warranties on other matters (such as in relation to euro compliance).
- Has the service secured an indemnity against losses arising from claims that its use of the software infringes the intellectual property rights of a third party?

Other terms

Consider carefully the effect of other terms dealing with:

- Confidentiality
- GDPR
- Dispute resolution
- Limitation of liability
- Termination and remedies
- Assignment
- Third party rights
- Boilerplate

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Appendix 5 - Contract Management Plan Template

1.1 Owners / Key Representatives

Nominated Contact	Role
	Supplier Contract Manager
	Service Contract Manager

1.2 Level of Management required

To determine whether the level of management required for a specific contract and supplier should be **HIGH / MEDIUM / LOW**. The assessment considers the potential impact on business based on criticality, dependency and the number of expected customers.

1.3 Contract Objectives

1.4 Performance Management Framework

1.5 Mobilisation Plan

1.6 Migration Plan

1.7 Contract Compliance

1.8 Escalation & Change Control Process

Supplier	Contracting Authority / Service

1.9 Exit Plan

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1.10 Review Meetings

Proposed Dates	Actual Dates

KPIs and SLAs to be reviewed	Comments

1.11 Issues / Risks

Issue Ref	Issue	Responsibility	Resolution	Date
Risk Ref	Risk	Responsibility	Mitigation	Date

Appendix 6 - Contract Variation Form Template

Change Request Form	
Change Request No:	Supplier:
Requested by:	Date received:
Item (s) affected:	Issue affected:
Description of Change:	
Reason for Change:	
Effect of not implementing change:	
Analysis results:	
Resource:	Time:
Value change / Price modification:	
Implementation timescale:	
Agreed action: Accept / Reject	
Authorised by:	
Signed:.....(For SDC) Date.....	
Signed:.....(Supplier) Date.....	
Reason for Rejection:	

One Legal and Policy & Governance Team have been consulted where the variation relates to an above threshold contract.

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Appendix 7 - Contract Extension Form Template

This template should be completed to demonstrate how the proposal meets business need, is affordable, achievable, has explored the appropriate options and is likely to achieve value for money/improvements in service.

Proposer Name	Service Area

Title	Role

Contract Name and Ref	Service Provider	Value to Date

Contract Type (Goods, Services or Works)	Procurement Route	Contract Start Date

Extension Period and Value	Start Date	End Date

2. Proposal

Give a brief description of the proposal

This section captures, as clearly and succinctly as possible, what it is that's being proposed.

3. Business Need

Give a brief description of the business need that gives rise to this proposal

This section captures, as clearly and succinctly as possible, the need/gap/issue that gives rise to this proposal.

4. Options

Give a brief description of the options considered, their strengths and weaknesses, and highlight your recommended option (include the option of doing nothing)

• **Option 1 – Do Nothing**

Strengths of option	Weaknesses of option

• **Option 2 –**

Strengths of option	Weaknesses of option

• **Option 3 –**

Strengths of option	Weaknesses of option

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Appendix 7

5. Performance

Performance measured against Key Performance Indicators (KPI's). Customer and Client satisfaction.

This section captures, as clearly and succinctly as possible, the performance that gives rise to this proposal. Refer to any background papers which support this proposal.

6. Risks

What key risks are involved in implementing the proposal and how will they be managed?

Risk	How it will be managed

7. Lifetime Costs

What are the costs to implement and run this contract over extension period? Assume 5 years if no clearer duration is available.

Procured Value	Spend To Date	Year 1	Year 2	Year 3	Year 4	Year 5
TOTAL						

8. Authorisation

Confirmation that the contract has been amended and signed off by the relevant Director or HoS. One Legal and Policy & Governance Team have been consulted where the extension relates to an above threshold contract.

ONE Legal	Comments	Date
Name:		
Signature:		

Authorising Officer (HOS/Director)	Comments	Date
Name:		
Signature:		
In Support of Extension		
Officer Delegation Scheme where applicable Please state relevant paragraph and page no. of the Constitution or Council / Committee Decision or Authorising Office		

Authorising Officer (HOS/Director)	Comments	Date
Name:		
Signature:		
In Support of Extension		

Report to the Audit and Standards Committee 8th February 2022 on the actions taken in relation to the recommendations made in the ICT Service Desk Internal Audit report.

Lead Officer: Mark Lawrence, Service Delivery Manager

Summary of Audit Area

The ICT Service Desk is a key function of service operation, providing a single central point of contact for all ICT service users. Service desk staff execute the incident management and request fulfilment processes to restore normal operations or to manage requested changes. Service desks manage both incidents and routine requests.

Stroud District Council have recently implemented a new service desk solution, one element of the ongoing overarching ICT Infrastructure Project. The selected solution includes self-service functionality for users and will be used to record and manage all service requests made by users as well as changes made under the change management processes.

The service desk "go live" date" was 11th February 2021. The Service Fresh service desk solution is supported by Freshservice with regular meetings being held between the Stroud District Council Head of Technology, the Service Delivery Manager, the Freshservice Customer Success Manager, and the Freshservice Account Manager to review goals and performance, helpdesk performance, product adoption, and the achievement of identified shared goals.

ITIL's (Information Technology Infrastructure Library) Service Operation Book states that the service desk should make sure IT services are delivered efficiently and effectively. The Book covers five processes to achieve these aims:

- i. Event Management;
- ii. Incident Management;
- iii. Problem Management;
- iv. Request Fulfilment; and
- v. Access Management.

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Summary Terms of Reference for the Audit

The review assessed the processes and controls to manage the ICT Service Desk against the ITIL framework.

It was recognised that the new service desk solution had been recently introduced at the time of the review. Therefore, both the current functionality and future planned developments were considered.

This review was undertaken as a consultancy review rather than an assurance review, providing advice and guidance to management.

Risks

This is not an exhaustive list and identifies those ICT Service Area Risks that are relevant to this review:

- i. CCR4: Unable to secure continuity of services during normal business hours through providing a route for users to report any issues. Once reported through the service desk, the issue can be assessed and addressed in a timely manner;
- ii. ICT1: If a severe network service failure occurs service delivery could be severely impacted through enabling network service failures to be reported and addressed in a timely manner, reducing the impact of the failure;
- iii. ICT7: If suitably qualified IT Officers cannot be recruited to support the organisations needs then frontline service delivery may be affected; and
- iv. ICT10: If individual IT Officers supporting key applications leave then support for major applications within some services will be at risk through supporting front line service delivery and reducing the risk of reliance on individual staff.

Key Findings

The key findings from this review have been summarised below.

Key Findings

- i. The functionality of the service desk is still being developed with Incident Management, Hardware and Access Request Fulfilment, Problem Management and Change Management being fully operational. The asset management functionality of the service desk solution was still being developed with some ICT assets still to be added.
- ii. Although service desk requests are classified using the ITIL service desk process categories, Events, Problems, Requests and Access are aggregated under the Service Request category within the service desk. Discussions with the Service Delivery Manager identified that changes would need to be made to the service catalogue to enable the disaggregation of these process categories and individual category reporting.
- iii. A draft service level agreement (SLA) has been prepared. This needs to be completed and released to the Council to ensure that service desk users are aware of the target response and resolution times that they can expect their request to be addressed within. The SLA includes targets for response times and resolution times by priority and request type. Request originators receive an automated response advising them that their request has been received and are advised when their request has been resolved.
- iv. The service desk has received 2,423 requests since the launch date with 2,275 of these (93.9%) having been resolved with only 148 requests (6.1%) unresolved at the time of this review. The monthly performance reviews undertaken with Freshservice include a review of the average resolution time taken for service requests and service incidents by priority and by Agent Group. The Agent Group is the ICT Team resolving the request. This performance reporting does not include the time taken to respond to a request, only the resolution time, and doesn't report performance against the service targets detailed within the SLA. Once the SLA has been finalised and released, performance reporting will need to be against the performance targets detailed within the SLA.
- v. Of the 2,423 service desk tickets raised since February 2021, 2,275 (93.9%) have been closed or resolved with only 148 (6.1%) requests unresolved, some of which date back to March (two), May (four) and June (six). Discussions with the Service Delivery Manager identified that the delays in completing these were due to known resource issues within some of the recently restructured ICT teams that were in the process of being addressed. Analysis of those service requests where response and resolution targets were significantly missed is recommended to identify the reasons for the failure to complete the request within the target time. This would enable persistent issues to be identified so that they can be

Agenda Item 6

addressed to prevent reoccurrence and to drive performance improvements.

- vi. Establishing the service desk performance for the first six months of operation would provide a baseline against which future performance could be measured. This baseline could include analysis of response and resolution times by ITIL service desk process categories and by the team the service request had been allocated to.
- vii. All ICT Strategic and Service Area risks are to be reviewed once the ongoing transformation project has been completed.

Action Taken as Of 17/12/2021

Management Overall Comment: Three of the six agreed dates below have unfortunately not been met and have been extended due to the ICT Service Delivery Manager being absent from work for eight weeks. Revised target dates have been set for recommendations one, two and five.

A summary of the progress made is shown in Figure 1 below. The full details on recommendations made are contained on the subsequent pages.

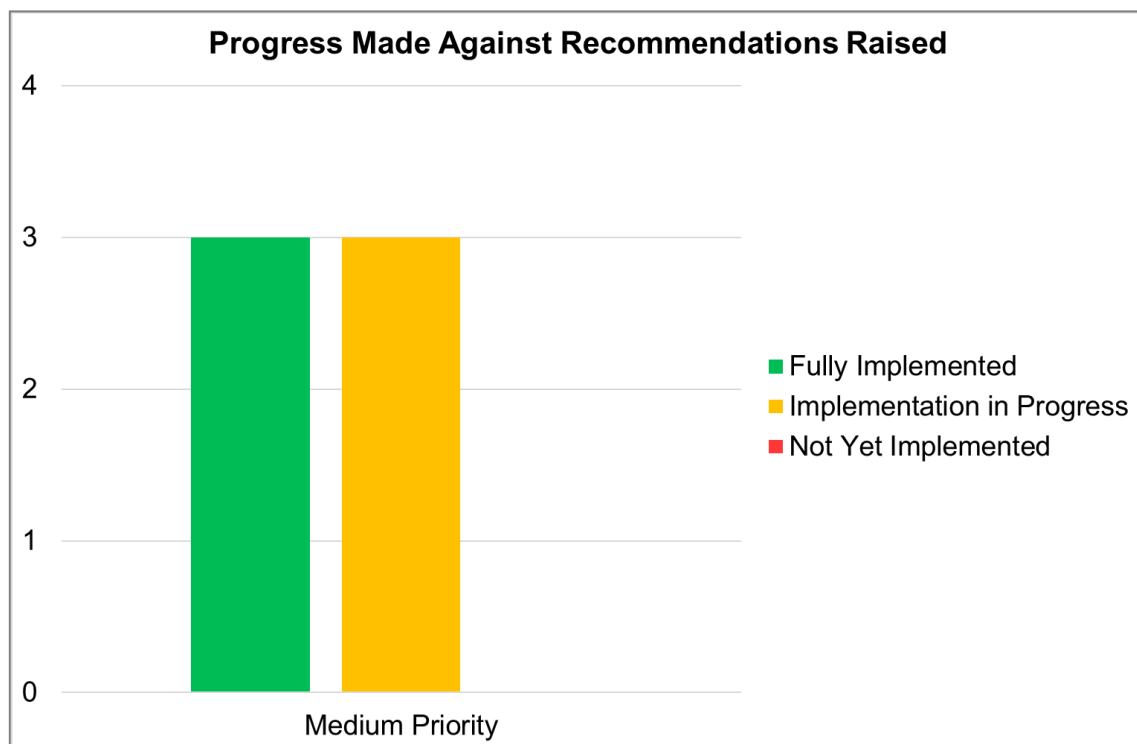


Figure 1: Progress made by management towards implementing the agreed recommendations (as of 17/12/2021).

Recommendation – 1(M)	Original Management Response
<p>The draft SLA should be completed and released to service users.</p>	<p>Agreed.</p> <p>Target Completion Date:</p> <p>30th November 2021</p> <p>New Date: 31st January 2022</p>
<p>Management Update As At 17/12/2021</p>	
<p>A new Very Important Person (VIP) SLA was created in December 21 and is currently being trialled until January 22 alongside the general SLA for staff. This SLA has been adapted to make sure our VIP customers are responded to in a timely manner. The VIP customer group currently contains Members and Directors. The Service Delivery manager is notified of any tickets raised by a VIP and is also notified if the response time or resolution times are about to breach.</p> <p><u>ARA Assessment: Implementation in Progress</u></p>	
Recommendation – 2(M)	Original Management Response
<p>Once the SLA has been completed and released, performance reporting will need to be against the targets detailed within the SLA for response time and resolution time.</p>	<p>Agreed</p> <p>Target Completion Date:</p> <p>31st December 2021</p> <p>New date: 28th February 2022</p>

Management Update As At 17/12/2021	
See above. As the SLA document will now be released in January 22. The performance reporting in February will be against the new targets as well.	
<u>ARA Assessment: Implementation in Progress</u>	

Recommendation – 3(M)	Original Management Response
The 29 incident requests categorised as “problem” should be investigated and linked to the relevant original incident request.	Agreed. Target Completion Date: 30 th November 2021

Management Update As At 17/12/2021	
This has been rectified and all problems raised are now associated correctly with the incidents.	
<u>ARA Assessment: Fully Implemented</u>	

Recommendation – 4(M)	Original Management Response
An analysis of service requests where response and resolution targets were significantly missed should be undertaken to identify the root causes for the performance failures so that these can be addressed to prevent reoccurrence.	Agreed. Target Completion Date: 30 th November 2021

Management Update As At 17/12/21

Problem analysis is now being used to address not just missed targets but all tickets that are logged on service desk. The Head of Technology and the ICT Service Desk Manager have spoken at length with regards to trying to get to the root cause of tickets that keep re-occurring. An example of this was when we had multiple tickets being raised with regards to our telephone system. Silent calls were occurring on a regular basis. The quick fix would be to restart the software on the laptop. These tickets were then linked to a problem in accordance with ITIL this enabled us to get to the root cause, which was that our staff needed to have the software updated on their laptop and the server-side software also had to be updated.

ARA Assessment: Fully Implemented**Recommendation – 5(M)**

The service desk service catalogue should be amended to enable individual identification and reporting of service desk tickets by ITIL service desk process category.

Original Management Response

Agreed.

Target Completion Date:

31st January 2022

New date: 28th February 2022

Management Update As At 17/12/2021

In the process of working with our Customer Success Manager at Freshservice on how we can achieve this.

ARA Assessment: Implementation in Progress

Recommendation – 6(M)	Original Management Response
<p>The service desk performance for the first six months of operation should be established to provide a baseline against which future performance can be assessed against.</p>	<p>Agreed.</p> <p>Target Completion Date:</p> <p>31st October 2021</p>
<p>Management Update As At 17/12/2021</p>	
<p>A report has been produced that shows the first three quarters of metrics within Fresh Service. A baseline can now be set against this. We have decided moving forward that we will do reports for the following on a monthly basis:</p> <ul style="list-style-type: none"> • Incidents raised; • Incidents resolved; • Requests raised; • Requests resolved; • Response times for incidents/requests; • Resolution times for incidents/requests; • First Contact Resolution (%); • Breached tickets (%); • Analysis of Backlog Tickets; and • Customer Satisfaction. <p><u>ARA Assessment: Fully Implemented</u></p>	

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 8 FEBRUARY 2022

Report Title	Risk Management Update			
Purpose of Report	To update the Committee on the review of Risk Management Arrangements and give an oversight of the Corporate Risk Register.			
Decision(s)	The Committee RESOLVES to Note: a) The progress on the Risk Management Review b) The Current Corporate Risk Register at Appendix A			
Consultation and Feedback	Chair and Vice-Chair of Audit and Standards Committee			
Report Author	Andrew Cummings, Strategic Director of Resources Email: andrew.cummings@stroud.gov.uk			
Options	No alternative options at the current stage			
Background Papers	None			
Appendices	Appendix A - Current Corporate Risk Register			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 Stroud District Council is committed to securing effective risk management as part of its responsibility to deliver effective public services within its district.
- 1.2 The Council has a well-established Risk Management Framework including the Risk Management Policy Statement and Strategy, that includes the three primary objectives of Risk Management. This is backed up a Risk Management toolkit available for Officers and committees to help them effectively describe, assess, monitor and ultimately manage the various risks which the Council faces in its work.
- 1.3 The Council currently uses a piece of software called Excelsis as a performance management and risk management tool. Corporate and service risks are managed through this platform.
- 1.4 In light of its significance to the Committee, Risk Management is a standing item for the Audit and Standards Committee.

2. MAIN POINTS

- 2.1 As has been previously reported, the Policy Framework was due for a review in 2020 and a report has been commissioned through Audit and Risk Assurance (ARA) to provide an assessment on the current position and recommendations for the future.

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- 2.2 A draft copy of this report was received in January and management are now reviewing the findings and working towards a final report version. A review meeting has been held with the auditor and consideration is now being made of the points raised.
- 2.3 The report considers not only the risk management procedures that we have in place but also how effectively these are put into practice across the Council. It is likely to be the latter that needs most attention and this will be addressed in the action plan.
- 2.4 Although the deadlines for Committee publication have not allowed it to be submitted to this meeting it can now be confirmed that the final version of the report, along with an action plan for changes and improvements will be considered by the Audit and Standards Committee in April 2022.
- 2.5 With regards to the performance and risk software package a number of demonstrations from suppliers have been received and a full procurement process is expected to get underway shortly. Again, progress will be reported to the next Audit and Standards Committee.
- 2.6 The final report will also consider the role of members in the process and again actions will be put in place to address any of the recommendations made.
- 2.7 At that stage before the report has been finalised it is still necessary to give an appropriate focus to corporate risks. Therefore, the current corporate risk register is included for members information at Appendix A. All of these risks have been reviewed and updated by officers with appropriate timescales. It should be noted that this risk register still uses the existing processes and software and is likely to develop in the coming months.

3. IMPLICATIONS

3.1 Financial Implications

There are no financial implications arising from this decision.

Andrew Cummings, Strategic Director of Resources

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3.2 Legal Implications

There are no specific legal implications arising from the report and/or its recommendations.

One Legal

Tel: 01684 272012 Email: legalservices@onelegal.org.uk

3.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

3.4 Environmental Implications

There are no significant implications within this category.

Corporate Risk Register – January 2022

Risk Code	Risk	Lead Officer	Probability	Severity	Score	Controls with RAG Status & Control Owner		Risk Target	Date For Review
CCR1	Failure to develop a budget strategy identifying income and savings opportunities to meet the funding gaps identified in the Budget Strategy and MTFP.	Andrew Cummings	2	3	6	1. Develop a series of savings proposals and income generation opportunities to meet the targets in the MTFP	Andrew Cummings	6	28/02/2022
						2. Establish and enter into agreements with third sector or other potential alternative service providers to take on services post 2020/21	Kathy O'Leary		
						3. Potential to increase income through measures such as: Council Tax, service charges, maximise retention of business rates (see CCR10)	Andrew Cummings		
						4. Establish and implement a public consultation strategy to manage service expectations prior to 2020/21	Kathy O'Leary		
						5. Maximise ability to convert capital receipts to revenue	Andrew Cummings		
						6. Establish and implement a public consultation strategy to manage service expectations post 2020/21	Kathy O'Leary		
CCR4	Unable to secure continuity of services during normal business hours ALSO RELATES TO CCR 16	Mike Hammond	3	3	9	1. Council resolves to identify and adequately resource corporate service priorities as part of the budget process	Andrew Cummings	9	28/02/2022
						2. Implement 2016 approved corporate ICT plan	Sean Ditchburn		
						3. Individual service continuity plans fit for purpose and adhered to	Mike Hammond		
						4. Workforce plan to secure expertise to avoid service failures	Lucy Powell		
						5. Ensure data backup system fit for purpose	Steve Colwill		
						6. Adequate resources on hand to respond to emergencies	Andrew Cummings		
						7. Communication strategy to keep stakeholders informed of service availability	Sean Ditchburn		
CCR8	The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision.	Andrew Cummings	2	2	4	1. Ensure workforce plan takes account of financial impact of reducing staffing levels on pension fund contributions	Andrew Cummings	4	30/06/2022
						2. Ensure MTFP accurately reflects contribution likely to be required based upon workforce demographics	Andrew Cummings		
						3. Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund	Andrew Cummings		

Risk Code	Risk	Lead Officer	Probability	Severity	Score	Controls with RAG Status & Control Owner		Risk Target	Date For Review
CCR9	Cost of providing waste and recycling services to the district currently constitutes around a third of the organisations budget. As such any budgetary implication is of significant consequence to the MTFP. An emerging facet of this risk is the Environment Bill that could include legislative changes impacting our financial position.	Mike Towson	3	2	6	1. Monitor customer service use and identify new customers to increase income.	Mike Towson	2	28/02/2022
						2. Effective management of UBICO contract.	Mike Towson		
						3. Maximise effective use of existing resources.	Mike Towson		
						4. Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
CCR10	Failure to develop appropriate staff policies to recognise talent leading to difficulties in retention and recruitment	Lucy Powell	2	2	4	1. Adopt policies which promote staff development and retention	Lucy Powell	2	28/02/2022
						2. Adoption and implementation of efficient and professional recruitment policies and practices	Lucy Powell		
						3. Use consultants to manage service in short term	Lucy Powell		
						4. Shared services with neighbouring authorities	Lucy Powell		
						5. Permanent outsourcing to the private sector	Lucy Powell		
CCR18	The loss of income from recycling/incentive credits and the potential for increased costs of recycle processing.	Mike Towson	4	3	12	Effective management of the UBICO contract	Mike Towson	9	28/02/2022
						Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
						MRF Contract - the value of recylates collected by the Council are determined by industry benchmarks, this may have an impact of the amount received (income) or the costs incurred of disposal	Mike Towson		
						To keep lines of communication open with the County Council to maximise the lead in time for any changes to payment received	Mike Towson		
Risk Code	Risk	Lead Officer	Probability	Severity	Score	Controls with RAG Status & Control Owner		Risk Target	Date For Review
CCR19	COVID-19 pandemic	Kathy O'Leary	3	3	9	Weekly Overview of all Covid-19 response work, business as usual, comms, staffing	Kathy O'Leary	6	27/04/2022
CCR20	Government white paper on local government reorganisation / devolution	Kathy O'Leary	4	3	12	Assess impact of White Paper and work with neighbouring authorities	Kathy O'Leary	6	27/04/2022

CCR91	Inadequate Information Governance Framework and non-compliance with Transparency Code leading to increased FOI requests, risk of complaints to the ICO and breaches resulting in ICO investigations and subsequent fines.	Marie Parkington	2	3	6	<p>Focussing on risk avoidance by applying safeguards that will eliminate or reduce the risk. We aim to achieve this by Training & Education and implementing technical security controls and safeguards. Mandatory Data Protection course in place. Review and implementation of a new Information Governance Framework and associated policies to mitigate threats and reduce the impact. In depth analysis of any breach, management of robust FOI/EIR/SAR requests to ensure dealt with in a timely manner. On going evaluation of controls that are in place to ensure that they are 'fit for purpose'.</p>	Information Governance Officer	3	18/02/2022
						<p>Mandatory Data Protection Course in place and work is underway to implement a second intermediate level course for Service Heads/Information Asset Owners and Information Governance Coordinators to increase their level of knowledge. Both courses will also reflect data breach investigations to address and prevent further occurrence.</p> <ul style="list-style-type: none"> - An enhanced training exception report has been built with the Learning provider which highlights which staff and members have not yet completed training. - Statutory DPO providing detailed GDPR expertise, advice and support with a recently introduced role of Information Governance Officer to support adherence to regulations and compliance. - revised incident reporting framework and procedure in place, with investigation form completed for all breaches and learning taken forward and shared. - Data Breaches are to be included in a Dashboard to SLT to enable effective response. 	Information Governance Officer		
						<p>Revised Privacy Notices across all Service Areas as they have not been updated since April 2018. We wanted to ensure that in line with ICO guidelines, when processing personal data, we tell people what we are doing with it, why we need it, what we'll do with it and who we're going to share it with. We have provided this information in a clear, open and honest way.</p>	Information Governance Officer		
						<p>The ICO Accountability Statement Tracker has been used to record and track our progress via self-assessment. This will help build our own action plan and improve our accountability in Information Governance. This will provide us with actions to work on to ensure that we remain compliant.</p>	Information Governance Officer		

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

8 FEBRUARY 2022

Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2021/22			
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22.			
Decision(s)	The Committee RESOLVES to accept: a) The progress against the Internal Audit Plan 2021/22; and b) The assurance opinions provided in relation to the effectiveness of the Council's control environment.			
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers. Management responses to recommendations are included in each assignment report.			
Report Author	Piyush Fatania, Head of Audit Risk Assurance Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	None.			
Appendices	Appendix A - Internal Audit Activity Progress Report 2021/22 Appendix A - Attachment 1 – Summary of Limited Assurance Opinions on Control Appendix A - Attachment 2 – Internal Audit Plan Activity 2021/22			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	Yes	No	No

1. INTRODUCTION/BACKGROUND

- 1.1 Members approved the Internal Audit Plan 2021/22 at the [27th April 2021 Audit and Standards Committee meeting](#).
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report (through Appendix A) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.

2. MAIN POINTS

- 2.1 The Internal Audit Activity Progress Report 2021/22 at Appendix A summarises:
- I. The progress against the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
 - II. The outcomes of the Internal Audit activity delivered during the period November 2021 to December 2021; and

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III. Special investigations/counter fraud activity.

- 2.2 The report is the third progress report in relation to the Internal Audit Plan 2021/22.

3. CONCLUSION

- 3.1 The purpose of this report is to inform the Committee of Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment. Completion of the Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the [Council Constitution](#) and [the Audit and Standards Committee Terms of Reference](#).

- 3.2 In accordance with the PSIAS and as reflected within the Audit and Standards Committee work programme, Internal Audit Activity Progress Reports against the approved Internal Audit Plan 2021/22 are scheduled to be presented to the Audit and Standards Committee at the 26th April 2022 and July 2022 (specific date to be confirmed) meetings.

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Lucy Clothier, Accountancy Manager

Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk

4.2 Legal Implications

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

One Legal

Tel: 01684 272203 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications as a result of the recommendations made within this report.

Internal Audit Activity Progress Report

2021/22



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Appendix A

(1) Introduction

All Councils must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant Council 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council. ARA carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing 'proper Internal Audit practices'. The standards define the way in which the Internal Audit service should be established and undertake its operations.

The Internal Audit service is delivered in conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the Council that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance. These are set out in the Council's Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

- i. The progress against the 2021/22 Risk Based Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- ii. The outcomes of the 2021/22 Internal Audit activity delivered during the period November 2021 to December 2021; and
- iii. Special investigations/counter fraud activity.

(4) Progress against the 2021/22 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2021/22 activities which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Attachment 2** contains a list of all of the 2021/22 Internal Audit Plan activity undertaken during the financial year to date. This includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks. The dates where a summary of the activity outcomes have been presented to the Audit and Standards Committee are also reflected.

Explanations of the meaning of the assurance opinions are shown below.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customers, partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved. • Control Application – Controls are applied continuously or with minor lapses.
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customers, partners and staff. However, some key risks are not being accurately reported and monitored in line with the Council's Risk Management Policy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger. • Control Application – Controls are applied but with some lapses.
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Policy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customers, partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls. • Control Application – Significant breakdown in the application of control.

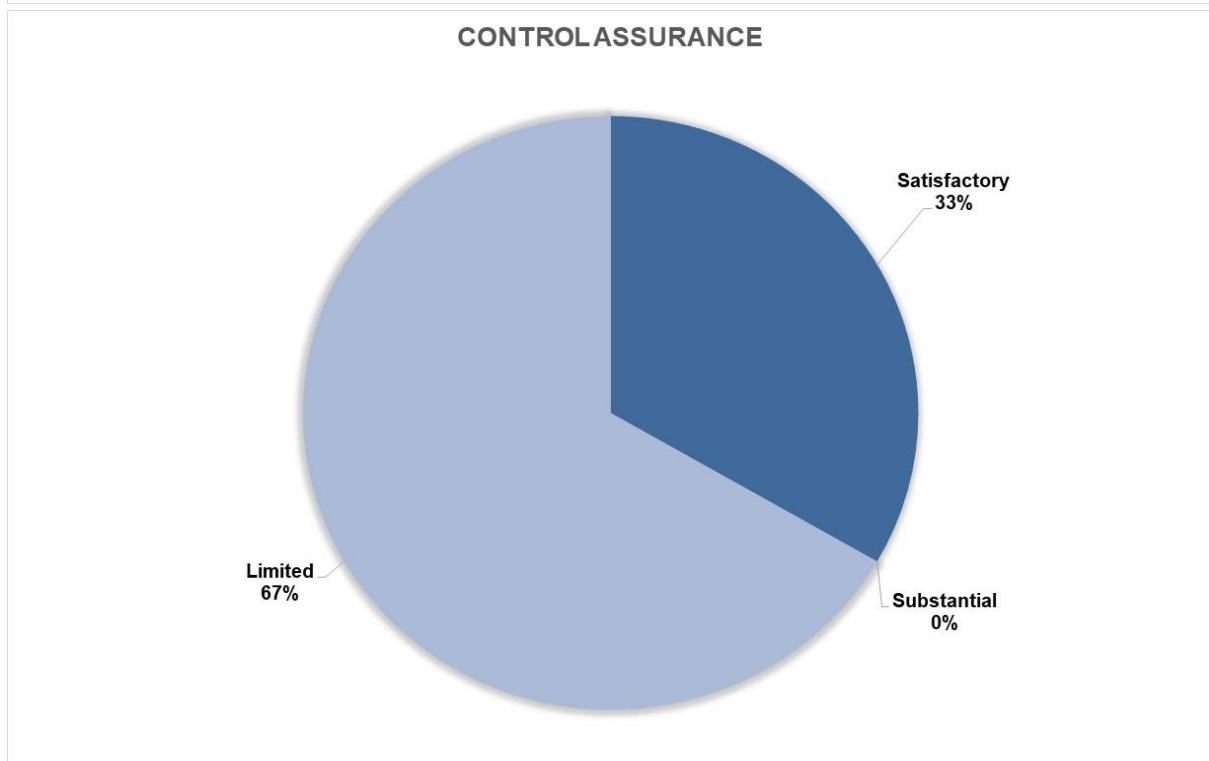
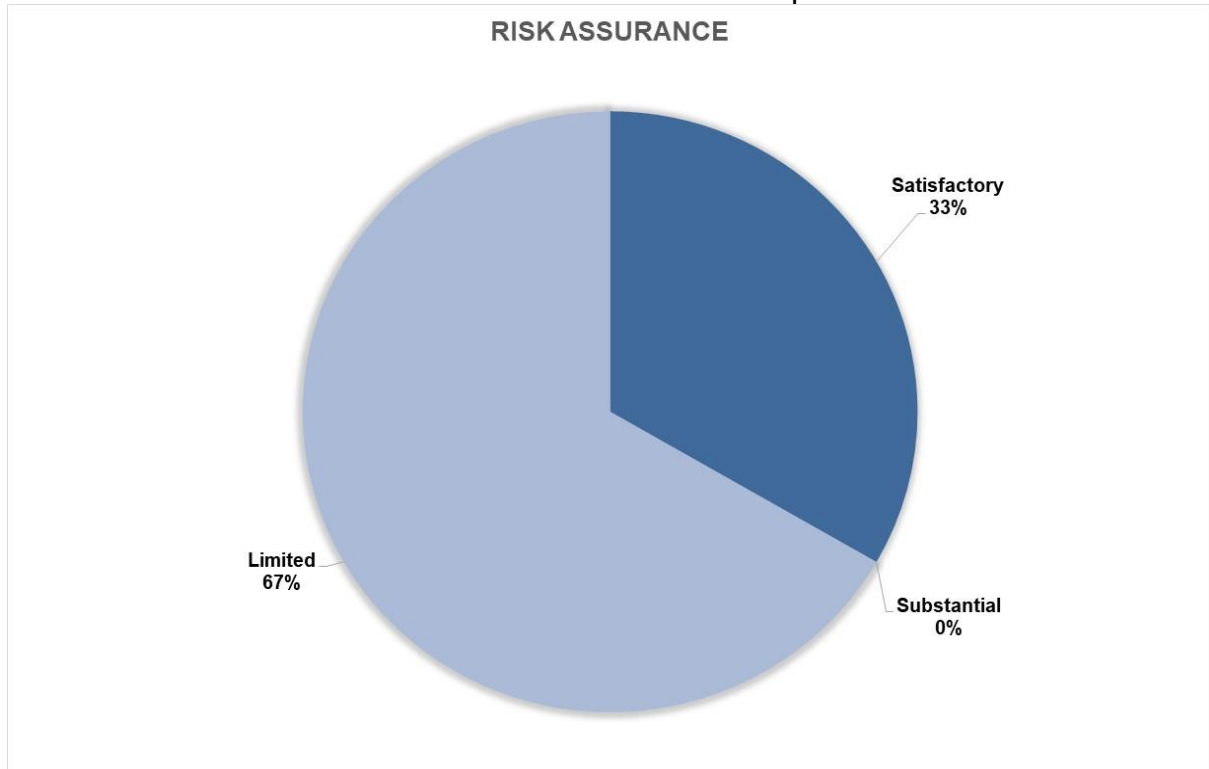
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Appendix A

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The below pie charts show the summary of the risk and control assurance opinions provided in relation to the 2021/22 audit activity undertaken from April 2021 up to December 2021.

It is noted that the majority of ARA activity delivered to December 2021 has not generated an audit assurance opinion, due to being a grant or consultancy review. The outcomes from these areas are not included in the pie charts.



(4b) Limited Control Assurance Opinions

Where audit activities record that a limited assurance opinion on control has been provided, the Audit and Standards Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the period November and December 2021, one limited assurance opinion on control has been provided on completed audits from the 2021/22 Internal Audit Plan which relates to Voids Management.

Where a limited assurance opinion is given, a follow up audit is undertaken to provide assurance that the agreed actions have been implemented by management.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided and recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During the period November and December 2021, Internal Audit made a total of **20** recommendations to improve the control environment. **Three** of which were high priority and **17** which were medium priority recommendations. 100% of the recommendations have been accepted by management.

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(4f) Risk Assurance Opinions

During the period November and December 2021, one limited assurance opinion on risk has been provided on completed audits from the 2021/22 Internal Audit Plan which relates to Voids Management.

Monitoring of the implementation of recommendations to manage the risks identified is owned by the relevant manager(s) and helps to further embed risk management in the day-to-day management, risk monitoring and reporting process.

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(4g) Internal Audit Plan 2021/22 – Update

Members approved the Internal Audit Plan 2021/22 at the 27th April 2021 Audit and Standards Committee meeting.

Since that point, and as detailed on **Attachment 2**, four new activities have been added to the Internal Audit Plan 2021/22 based on risk position and need (such as new mandatory grant certification and review work).

The approved new activities include the Senior Leadership Team (SLT) and Member requested Planning Review (Enforcement), which was confirmed as a priority for ARA delivery. The Planning Review (Enforcement) activity outcomes were reported to Audit and Standards Committee on 30th November 2021 and required significant ARA resource input, due to the breadth of review (including consultation) and audit testing.

Based on the above position, SLT reviewed the Internal Audit Plan 2021/22 in October 2021 to ensure a balanced and viable Plan. The result was presented to Audit and Standards Committee through the Internal Audit Progress Report on 30th November 2021 and agreed.

The outcomes of the SLT review are detailed in **Attachment 2** and confirm deferral of a number of activities from the Internal Audit Plan 2021/22, based on the completion of up-to-date risk assessment per activity and confirmation of their priority. The deferred activities will be considered as part of the 2022/23 risk-based audit planning exercise.

Completed 2021/22 Internal Audit Activity during the period November and December 2021

Summary of Limited Assurance Opinions on Control

Service Area: Communities

Audit Activity: Voids Management

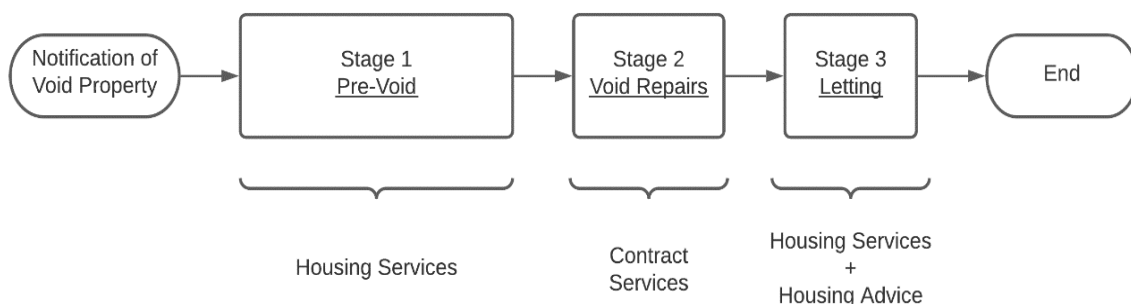
Background

Stroud District Council (the Council) currently let approximately 5,000 residential properties with a book value of £275m. These properties generate an annual income of over £20m. A void (or vacant) property is one which is not generating income and is awaiting a new tenant(s).

There are a number of ways that a property can become void:

- i. Tenants with a housing priority transferring to other void properties;
- ii. Tenants moving to other tenures such as Housing Associations, Home Ownership Schemes, or residential accommodation such as nursing homes;
- iii. Tenants that have breached their tenancy conditions by non-payment of the rent or via anti-social behaviour have been evicted by the Council with a court order for possession of the property;
- iv. The property becomes uninhabitable due to (deliberate, or otherwise) neglect, damage, or disrepair;
- v. Tenants have died without leaving a successor that has a legal right to occupy the property; or
- vi. Tenants have abandoned their tenancy without informing the Council that they intend to move out.

The term “voids management” describes the means by which the Council manages its vacant residential property so as to limit the length of void periods. The management of void properties within the Council involves Housing Services, Contract Services, and Housing Advice. This has been visualised below, for reference.



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The arrangements should ensure that properties are quickly brought back into use, maximising rental income, and helping the Council to meet the local demand for social housing. This is a key priority within the 2021-2026 Council Plan (CW2.2).

As of 28th September 2021, there were approximately 3,500 households on the local (Stroud District) housing register. It is critical that void properties are brought back into use as quickly as possible to meet this demand.

Scope

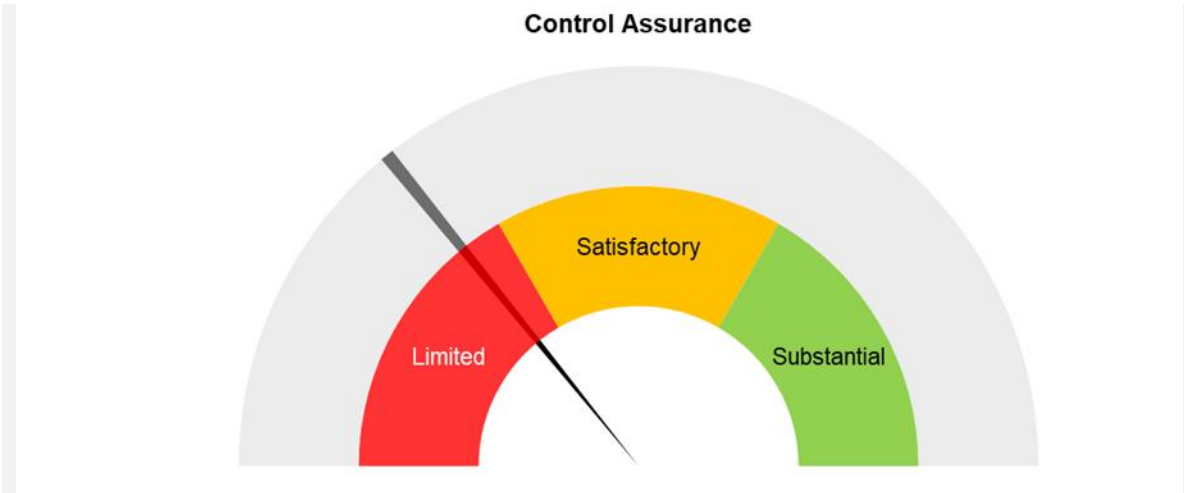
Internal Audit has reviewed the adequacy and effectiveness of the arrangements in place to manage the Council's properties during void periods. The period covered by this audit was the 1st June 2020 to 31st July 2021 (14 calendar months). A sample of properties that were voided (became void) during this period was reviewed. To provide assurance over the management of the Council's void properties, this audit review had four key objectives:

- i. To assess whether effective governance and risk management arrangements have been set-up and are operating satisfactorily;
- ii. To evaluate whether the Council has clear guidelines and procedures in place covering the void management process from end-to-end. This will include consideration of information access and data protection in the context of voids management;
- iii. To evaluate the efficiency and effectiveness of key aspects of the void management process (end-to-end). This included the notification of tenancy changes, the scheduling, completion, and standard(s) of inspections and repairs, and the re-letting of the property to a new tenant(s); and
- iv. To assess the extent to which useful performance management information and Key Performance Indicators (KPIs) are captured, reported, and acted upon.

Risk Assurance – Limited

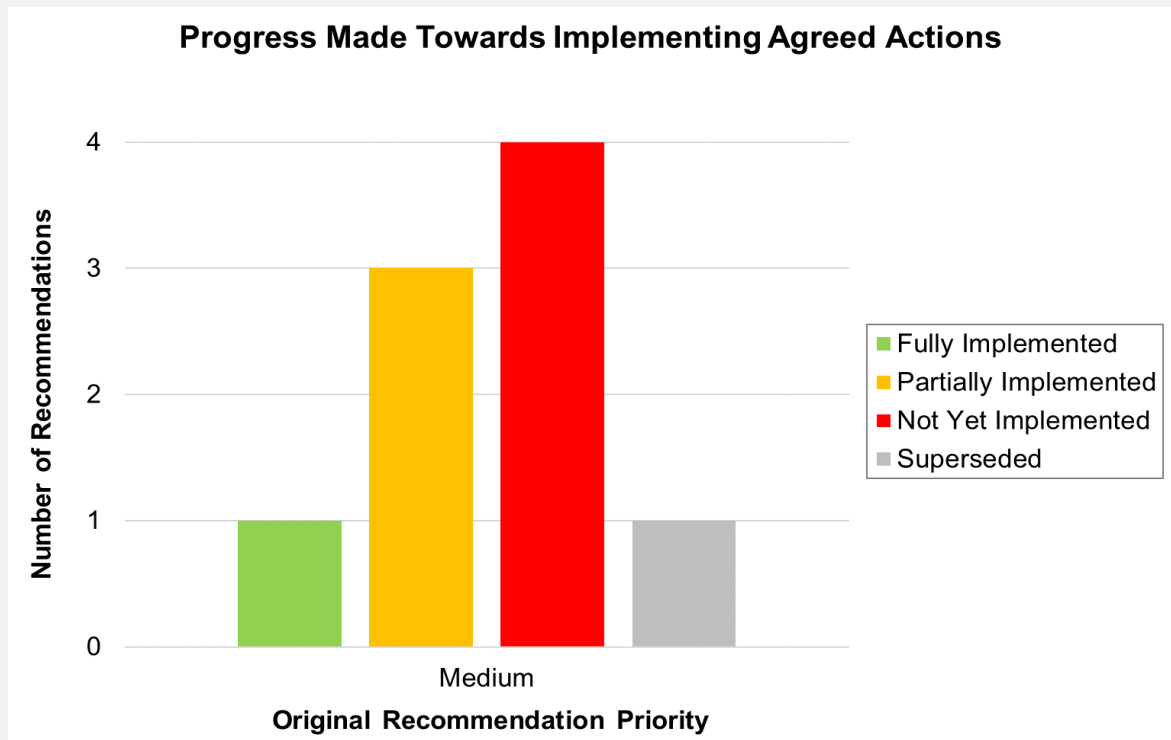
Control Assurance – Limited





Follow-Up

ARA’s last review into the Council’s voids management concluded in late 2019, with “Satisfactory Assurance” provided and nine “Medium Priority” recommendations accepted. The progress made towards implementing these is shown below. ARA has determined that only some progress has been made towards implementing these, with some pushed-back due to pressures on the service since March 2020.



Key Findings

The outcome of this review must be considered in light of the continuing impact of the Covid-19 pandemic on service delivery. Prior to March 2020, there were no reported issues or concerns regarding the Council’s voids management.

As shown above, the assurance opinion provided here is finely balanced, and should be interpreted as such. The residual risk(s) to achieving service objectives remains high in the short to medium-term.

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This review primarily considered the period from 1st June 2020 to 31st July 2021. Covid-19 had a substantial impact on the Council's voids management service over this period. A large backlog of properties built up due to the external contractor responsible for undertaking void repairs (when instructed by the Council) placing their staff members on furlough from April 2020 to June 2020. This, coupled with a relatively high void rate (the number of properties becoming void in a given period), has increased pressure on the service over the past two years. Additionally, restrictions imposed in England due to Covid-19 have often slowed the turnaround of void properties by, for example, limiting the number of contractors permitted on-site.

For information, the re-let time is defined as the time between the point of a tenancy ending (the property becoming vacant) and a new tenant moving-in. ARA has reviewed publicly available statistics (see GOV.UK "Local Authority Housing Statistics" LAHS 2020/21) which showed that English councils owning between 3,000 and 6,000 properties achieved an average re-let time of 57 days in 2020/21, the year ending 31st March 2021. Stroud District Council's reported (average) re-let performance in this return was 140 calendar days.

Re-let times are often broken down internally into those for "Major Voids" and "Minor Voids". A "Major Void" is one which requires a large amount of work in order to be fit for re-letting. A "Minor Void" is one which requires only a small amount of work in order to be fit for re-letting. A reasonable target re-let time for a "Major Void" is around 60 calendar days. For a "Minor Void", the analogous figure would be 30 calendar days. Annual Reports (Tenant Services) produced by the Council in the past have referenced a similar target turnaround of 53 days and 22 days for "Major Voids" and "Minor Voids", respectively.

For the sample of void properties selected from between 1st June 2020 and 31st July 2021, the average re-let times were approximately 200 days for "Major Voids" and 160 days for "Minor Voids". There is clearly scope for improvement in void turnaround times here, though the impact of the Covid-19 pandemic (and the repeated imposition of restrictions) cannot be overstated.

ARA notes that there has been some improvement (a reduction) in void re-let times since August 2021, with a reduction to around 80 days (on average). The Head of Contract Services has advised that the Housing Committee will receive a report on recent performance in due course.

The key findings of this review are that:

- i. The Council does not currently have a Voids Management Policy in place. This is a key governance control and public-facing policy. The roll-out of this policy will help to ensure that there is adequate oversight, guidance, and the correct assignment of responsibility and accountability across the end-to-end process;
- ii. The guidance in place to support voids management is not comprehensive or complete across all stages of the end-to-end process. There are some types of void event, such as "Transfers", where no formal guidance is in place;

- iii. The Annual Reports (Tenant Services) for 2019/20 and 2020/21 have not been prepared and published on the Council's website within the "Tenant Publications" section. This is a statutory requirement as per the Tenant Involvement and Empowerment Standard (one of the Regulator of Social Housing's Consumer Standards);
- iv. A formal survey is used to classify the void according to the work required. There were significant delays noted for the ARA sample in scheduling these surveys following the property becoming void. The negative impact on void turnaround was further compounded by both extended repair times, lengthy delays in preparing post-repair tenant sign-up packs, and average "Advertisement to Re-Let Times" of over 30 days;
- v. The Council do not currently monitor the attestation ("Read and Understood" by officers) of policies or procedures centrally, and this is not a protocol that is embedded within individual service areas. This exposes the Council to the risk of individual officers being unfamiliar with key policies or major changes to policies and procedures;
- vi. The current version of the Housing Management System does not effectively support established workflows and leads to lapses in some controls. Management are aware of the system's limitations and the intention is to procure an alternative with improved specifications;
- vii. Tenancies only commence on Mondays, rather than on any weekday. This leads to a modest amount of rent loss (as a missed opportunity to collect more rent, not a direct loss);
- viii. Although there is some monitoring of the risks linked to the void repairs contract, there has not been any formal consideration (via Excelsis or an offline risk register) of risks relating to other aspects of the end-to-end voids management process;
- ix. The current approach to key-handling could be improved by using key safes at an earlier stage in the voids process;
- x. Pre-Termination Inspections (PTIs) were generally not completed during the sample period, initially due to Covid-19 restrictions. Properties were only inspected (via a formal survey) after becoming void. This prevented any rechargeable repair work being scheduled and completed while the property was still tenanted, or any early classification and scheduling ("queuing") of the property for void repairs;
- xi. The Tenancy Agreement (and other related legal documentation relied upon by Tenant Services) requires review to ensure that the Council is able to enforce and complete PTIs where possible. This will require the input of OneLegal. This will ensure that the Council is exercising its rights (and opportunities) as a social housing landlord to the fullest extent of the law;

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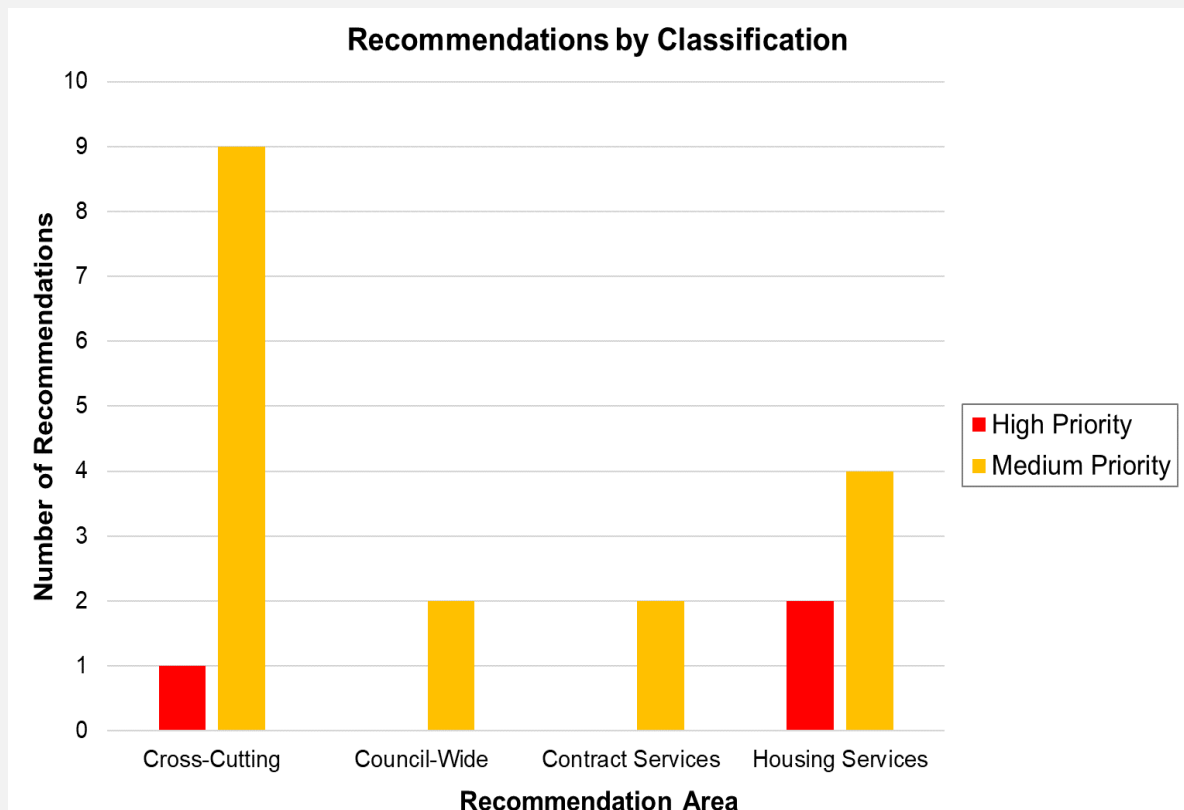
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- xii. The Council do not currently have a “Tenant Incentive Scheme” in place. This type of scheme would usually mirror the arrangements for recharging exiting tenants;
- xiii. The Council do not currently undertake “Tenancy Audits”, whereby Tenancy Management are able to obtain, collate, and act (intervene) on data regarding the condition of Council properties. These will be key to better understanding and addressing the Council's ongoing issues with properties being handed-back (voided) in poor condition; and
- xiv. Though there is some monitoring of standard KPIs covering the void repairs stage (Stage 2), KPIs are not currently monitored or reported-on across the end-to-end process (Stage 1, 2, and 3). ARA has confirmed the accuracy of some internal reporting covering Stage 2.

Conclusion

ARA has raised three High Priority and 17 Medium Priority recommendations covering Key Findings i to xiv. Once implemented and operating effectively, these recommendations will strengthen the current system of internal control, risk management, and improve monitoring and reporting. These are summarised in the figure below.

A number of these recommendations are related to one another, but have been separated out for clarity and ease of tracking. Therefore, the relative number of recommendations should be interpreted with this in mind.



Management Actions

Management have responded positively to the recommendations made, however have noted that the scope for short-term implementation is limited. ARA and management have jointly agreed a target date of 1st July 2022 for most recommendations. A Members' Voids and Repairs Task and Finish Group has also been engaged in reviewing the Council's voids management performance since late 2021. A number of the recommendations raised as part of this audit have been supported by this group.

The Strategic Director of Communities, Head of Contract Services, and Head of Housing Services would like to echo that the period under review was exceptionally challenging and that there were extreme pressures on service delivery. They would like to take this opportunity to recognise the considerable effort expended by officers to help the Council meet local housing need in the midst of the Covid-19 pandemic.

Performance has improved since the period reviewed by ARA (from July 2021 onwards). The Housing Committee will be kept fully informed on performance and outcomes.

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Summary of Special Investigations/Counter Fraud Activities

Current Status

The Counter Fraud Team (CFT) within Internal Audit has received two referrals in 2021/22 to date. Both cases were Covid-19 grant related and have been closed, with the detail reported to the 30th November 2021 Audit and Standards Committee meeting.

In addition, the CFT continues to work on one case brought forward from last year (Covid-19 grant related). This case remains under review and will be reported to the Audit and Standards Committee on its completion.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

Since the start of the Covid-19 pandemic ARA has provided the Council with regular updates on local and national scams which seek to take advantage of the unprecedented circumstances. Risk area updates include a rise in bank mandate frauds, inflated claims, duplicate payments and the submission of fraudulent Covid-19 grant applications. This area of activity continues, with updates provided to the Council where relevant.



As previously reported, Stroud District Council is a proud supporter of International Fraud Awareness Week (IFAW). This year IFAW fell between 14th and 20th November 2021. The aim of the week-long event was to encourage everyone to proactively take steps to minimise the impact of fraud by promoting anti-fraud awareness and education. As part of this action, the CFT provided numerous articles to the Council including an interactive quiz that enabled staff to find out how “scam savvy” they were. By being a supporter of the event, Stroud District Council is demonstrating its commitment to preventing and detecting fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matches in respect of the main 2021/22 exercise were released in mid January 2021 and the matches are now available for review.

Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are always investigated but where possible, all recommended matches are reviewed by either Internal Audit, the appropriate service area within the Council or by procuring the services of the Counter Fraud Unit (CFU).

ARA has been advised that the CFU have been employed to undertake some of the match reviews on behalf of the Council. The CFU findings will be separately reported to the Audit and Standards Committee.

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Due to the further government funding made available during the Covid-19 pandemic, additional NFI matches (associated with the payments of the various government grants) have been issued and these continue to be released for review throughout the year. The CFT have offered assistance to the Council in reviewing some of these matches.

Data relating to Council Tax Single Person Discount is due to be uploaded between 28th November 2021 and 28th January 2022. Once uploaded any data matches will be available for review.

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Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	Local Government Association Peer Review	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Council Wide	Risk Management	1	Review in Progress				The activity replaces the previously deferred 'risk and performance reporting' review. Outcomes to be reported to Audit and Standards Committee in April 22.
Council Wide	Business Continuity Lessons Learned	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Transformation and Change	Fit for the Future	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Place	Private Sector Housing (Empty Homes) - Limited Assurance Follow Up	1	Audit in Progress				
Place	Canal Project Budget Management	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Place	Planning Applications	1	Final Report Issued	Satisfactory	Satisfactory	30/11/2021	Brought Forward from 20/21 plan.
Place	Planning Review (Enforcement)	1	Final Report Issued	Not Applicable	Not Applicable	30/11/2021	New activity.
Resources	Carbon Neutral 2030	1	Planned				Brought Forward from 20/21 plan.
Resources	Creditors - Limited Assurance Follow Up	1	Planned				
Resources	Contract Management Framework	1	Planned				Consultancy review. Terms of Reference issued. This activity replaces the original 'Procurement and Contract Management Follow Up' activity. The procurement element of the original review has been deferred.
Resources	ICT Service Desk	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	Brought Forward from 20/21 plan. Consultancy review.
Resources	ICT Infrastructure Strategy	1	Audit in Progress				Brought Forward from 20/21 plan.
Resources	Council Tax	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Resources	Grant Payments - Post Payment Assurance	1	Draft Report Issued				Outcomes to be reported to Audit and Standards Committee in April 22.
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1a	1	Final Report Issued	Not Applicable	Not Applicable	30/11/2021	
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	1	Audit in Progress				New activity. Second phase.
Resources	Innovate to Renovate	1	Planned				New activity. Grant review.
Resources	Lost Sales, Fees and Charges - Claim Three	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	
Resources	Purchase Cards	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Resources	Social Housing Decarbonisation Fund Demonstrator	1	Planned				

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Resources	Test and Trace Support Scheme - Main Scheme	1	Audit in Progress				
Resources	Test and Trace Support Scheme - Discretionary Scheme	1	Audit in Progress				New activity.
Resources	Facilities Management	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Resources	Compliance with Gov Standards	1	Audit in Progress				
Resources	Incident Management Process	1	Planned				Activity agreed for March 22 delivery.
Resources	Change Management Process	1	Planned				Activity agreed for March 22 delivery.
Resources	Disaster Recovery and Business Continuity - Limited Assurance Follow Up	1	Planned				
Communities	Tenant Engagement	1	Audit in Progress				
Communities	Anti-social Behaviour Management	1	Planned				Brought Forward from 20/21 plan. Terms of Reference issued.
Communities	Electrical Works Contract - Limited Assurance Follow Up	1	Planned				Terms of Reference issued.
Communities	Stratford Park Leisure Centre	1	Audit in Progress				Brought Forward from 20/21 plan.
Communities	Cleaner Estates Strategy (Refuse)	2	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Communities	Housing Advice	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Communities	Housing Revenue Account (HRA) Delivery Plan	1	Planned				
Communities	Safeguarding	1	Deferred				Internal Audit Plan 21/22 review completed by SLT in October 21. SLT request for activity deferral. Based on new in year requested activities (such as Planning Enforcement) requiring priority delivery and the completion of up to date risk assessment.
Communities	Voids Management	1	Final Report Issued	Limited	Limited	08/02/2022	Change from priority 2 to priority 1, following 21/22 in year risk assessment update.
Exempt	Exempt	1	Final Report Issued	Limited	Limited	28/09/2021	

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

8 FEBRUARY 2022

Report Title	ANNUAL GOVERNANCE STATEMENT 2020-21 IMPROVEMENT PLAN – PROGRESS REPORT			
Purpose of Report	To provide assurance to the Committee that the improvement areas and associated actions identified as part of the annual review of governance arrangements operating within the Council, have been or are being addressed.			
Decision(s)	The Committee RESOLVES to accept the progress made against the identified improvement areas.			
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers. Management responses to recommendations are included in each assignment report.			
Report Author	Piyush Fatania, Head of Audit Risk Assurance Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	None.			
Appendices	Appendix A – Annual Governance Statement 2020-21 Improvement Plan – Progress Report			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. INTRODUCTION/BACKGROUND

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to publish an Annual Governance Statement, in accordance with ‘proper practices’ in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance. This approach includes how the Council has monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.
- 1.2 The Annual Governance Statement is signed by the Leader, Chief Executive (Head of Paid Service) and the S151 Officer and must accompany the Annual Statement of Accounts.
- 1.3 Members approved the Council’s Annual Governance Statement 2019/20 (including the Annual Governance Statement 2019/20 Improvement Plan) at the July 2021 meeting.

2. MAIN POINTS

- 2.1 This report is the first update presented to Members on the Council’s progress (detailed in Appendix A) against agreed actions from the Annual Governance Statement 2020-21 Improvement Plan.

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3. CONCLUSION

- 3.1 The Council is required to produce an Annual Governance Statement under the Accounts and Audit Regulations 2015. Through the Council Constitution and the Audit and Standards Committee Terms of Reference, the Audit and Standards Committee has responsibility for review and approval of the Statement (including relevant Improvement Plans).
- 3.2 The Council's Annual Governance Statement 2020/21 is due to be presented to Audit and Standards Committee in July 2021, and will include a final progress report against the Annual Governance Statement 2019/20 Improvement Plan.

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Lucy Clothier, Accountancy Manager
Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk

4.2 Legal Implications

There are no legal implications arising directly from this report.

One Legal
Tel: 01684 272203 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

There are no equality implications arising from the recommendations made in this report.

4.4 Environmental Implications

There are no environmental implications as a result of the recommendations made within this report.

Stroud District Annual Governance Statement (AGS) 2020-21 Improvement Plan – Progress Report

Governance matter identified	Position as at January 2021	Target Date and Lead Officer
<p>Future Financial Sustainability / COVID-19 The 2020-21 Medium Term Financial Plan identified core deficit of £3m by 2024-25.</p> <p>The Medium-Term Financial Plan now includes a savings target related to the fit for the future programme. Savings will be created by investing in modern service delivery methods and improved community engagement.</p> <p>As part of the Medium-Term Financial Planning process, funding is now clearly identified and linked to priority Council projects. This ensures successful integration of the financial plan and the Corporate Delivery Plan. This will be continued when the CDP is revised in 2021.</p> <p>Strategy and Resources Committee receives regular financial monitoring updates. The budget strategy in Autumn 2021 will consider all known factors relating to changes in funding streams, including government reforms, which will be further updated as part of the Medium-Term financial planning process.</p>	<p>Work on this continues and the Council is still on target to achieve its savings objective.</p> <p>The new Council Plan was agreed in October 2021 by Council. The Budget to be considered for the upcoming year will continue to be linked to priority projects.</p> <p>The Budget Monitoring process continues to keep members informed of the latest financial position.</p>	<p>Chief Financial Officer (S151)</p> <p>31st March 2022</p>
<p>Local Government Association (LGA) Corporate Peer Challenge (CPC)</p> <p>A Peer Review was undertaken by the Local Government Association (LGA) and a team of elected members, senior officers from other local authorities together with LGA advisors with the Peer Challenge team's feedback reported to Council on 16 May 2019.</p>	<p>The Local Government Association Peer Review Team will be undertaking a Corporate Peer Challenge review with SDC on the 8th, 9th, and 10th March 2022.</p>	<p>Chief Executive</p> <p>Ongoing</p>

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<p>The majority of the recommendations are now completed with 2021-22 expected to see the finalising of the remaining actions. Early discussions have already been held with the LGA about a follow up review in 2022.</p> <p>The senior management team's response to the Peer Review report's recommendations to Quarter four 2020-21 included:</p> <p>Actions taken in response to the above:</p> <p>There remains a need to close the medium-term financial gap although the position there remains uncertain until the Local Government Financial Environment is clarified.</p> <p>The Council continues to review, monitor, and develop its governance arrangements to ensure better decision making in order to deliver its revised priorities and plans. The Constitution Working group has now re-convened and is considering its work plan. Any further progress will be considered as business as usual within the role of the Monitoring Officer.</p>	<p>The position has been updated as part of budget setting for 2022/23. The Council will be closely monitoring the developments of the local government funding review.</p> <p>The CWG continues to look at items within the Constitution.</p> <p>The appointment of a permanent Monitoring Officer is expected in 2022.</p>	
<p>COVID-19 – Impact on Governance There were a number of key changes that impacted upon the day-to-day workings of the Council.</p> <p>The Council has responded by:</p> <p>Ensuring there was regular and consistent engagement between the Strategic Leadership Team, officers, and Members. This included:</p> <ul style="list-style-type: none"> • A recovery Strategy was produced in consultation between Senior Officers and members of the Strategy and Resources Committee. 	<p>This Recovery Strategy has now been rolled into the objectives in the new Council Plan.</p>	

<p>There are planned audits in 2021-22 that will further enhance the Council's governance arrangements:</p> <ul style="list-style-type: none"> • Safeguarding – to review the effectiveness of the Council's arrangements for meeting its statutory responsibility and duty of care to cooperate, communicate and report issues relating to safeguarding to the appropriate internal person(s), authorities and partner agencies. • Procurement & Contract Management Framework – to provide assurance that the agreed actions to address the relevant recommendations emanating from the 2019/20 audit reviews have been fully implemented. • Fit for the Future – Internal Audit will provide professional advice on the future internal control environment with a view to designing out risk as the modernisation programme progresses. • One audit (Planning Enforcement) arising from a direct Councillor request to the Committee. 	<p>Safeguarding and Fit for the Future activities have been deferred.</p> <p>Procurement and Contract Management Framework (CMF)-shift from assurance to a consultancy activity for CMF only-Procurement follow-up of progress via recommendation monitoring.</p> <p>See above.</p> <p>This piece of work has been completed and an action plan for service improvement has been developed.</p>	
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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE
8 FEBRUARY 2022

Report Title	Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23			
Purpose of Report	<p>This report outlines the Council's prudential indicators for 2022/23 – 2024/25 and sets out the treasury strategy for this period. It fulfils three key reports required by the Local Government Act 2003:</p> <ul style="list-style-type: none"> • reporting prudential indicators required by the CIPFA Prudential Code for Capital Finance in Local Authorities; • a treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management; • an investment strategy in accordance with the DLUHC investment guidance. <p>It also fulfils the statutory duty to approve a minimum revenue policy (MRP) statement for 2022/23.</p>			
Decision(s)	<p>The Audit and Standards Committee RECOMMEND that Council:</p> <p>a) adopt the prudential indicators and limits for 2022/23 to 2024/25; b) approve the Treasury Management Strategy 2022/23, and the treasury prudential indicators; c) approve the Investment Strategy 2022/23, and the detailed criteria for specified and non-specified investments; and d) approve the MRP Statement 2022/23 e) approve the Ethical Investment Policy</p>			
Consultation and Feedback	Link Asset Services (LAS).			
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Options	Full Council is required to adopt the prudential indicators and approve the annual treasury management strategy. These are largely determined by the Council's revenue and capital budget decisions when setting the 2022/23 Council Tax, Housing rent levels and the capital programme.			
Background Papers	CIPFA Treasury management in the public services – code of practice and cross-sectoral guidance notes 2021 CIPFA The Prudential Code for capital finance in local authorities 2021			
Appendices	Appendix A - Investments at 31 December 2021 Appendix B - Explanation of Prudential Indicators Appendix C - Economic Background Appendix D - Treasury Management Scheme of Delegation Appendix E - Ethical Investment Policy			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	Yes

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Discussion

1. Under the Local Government Act 2003 (the Act) and supporting regulations the Council is required to “have regard to” the Chartered Institute of Public Finance and Accountancy (CIPFA) 2021 Prudential Code and the CIPFA 2021 Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
2. Council is required to approve an Annual Treasury Management Strategy Statement for borrowing, and an Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to security and liquidity of investments.
3. There is also a statutory duty to approve a Minimum Revenue Provision (MRP) Policy Statement for the year 2022-23.
4. CIPFA Code of Practice on Treasury Management requires the Council to maintain a Treasury Management Manual, which is reviewed annually. This manual is a record of internal procedures and operational guidance, as such it is not subject to approval by Members. The manual incorporates the following documentation relating to Treasury management:
 - Treasury Management Policy Statement. This is reviewed annually.
 - Treasury Management Practices (TMP) – Main Principles. There are 12 practices which set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. These are reviewed annually.
 - Treasury Management Practices – Schedules. These schedules set out the details of how the TMPs are put into effect by this Council. This document is revised annually to include the latest detailed procedural documents.
 - Counterparty Lending List and lending criteria. The list used by the Council is provided by Link Asset Services (LAS), the Council’s treasury advisors. A new list is provided weekly and there are daily updates by email of any changes to ratings.
5. Other CIPFA requirements are:
 - a Mid-Year Report and an Annual Report summarising activities during the previous year;
 - a Capital Strategy;
 - 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. At this Council, delegation is to the Section 151 officer;
 - delegation by the Council of the role of scrutiny of treasury management reports and strategy to a specific named body. For this Council the delegated body is the Audit and Standards Committee.
6. CIPFA recently completed the second round of consultation on the proposed changes to the current editions of the Treasury Management Code and Prudential Code. The revised editions of these Codes were published on the 20th Dec 2021. The Council has to have regard to these codes of practice when preparing the Treasury Management Strategy Statement and related in-year reports taken to Full Council for approval. CIPFA has agreed a soft launch approach with formal reporting requirements deferred until 2023/24 financial year. We will ensure that we implement these new requirements on or before the 1st April 2023.

7. As part of these changes, the Council is required to adopt a new Liability Benchmark treasury indicator to support Capital Financing Requirement financing risk management. There will also be further changes to clarify what CIPFA expect a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to Commercial and Service capital investment; address ESG issues within Capital Strategy; require implementation of a policy to review Commercial Property with a view to divest where appropriate; create new Investment Practices to manage risks associated with non-Treasury investment (similar to current Treasury Management Practice approach); recommend that any long term treasury investment is supported by business model and requirement to effectively manage liquidity and longer term cash flow requirements; amendment to TMP1 to address ESG policy within the treasury management risk framework; amendment to Knowledge and Skills register for individuals involved in treasury management function (proportionate to size/complexity of organisation); a new requirement to clarify reporting requirements for Service and Commercial investment (especially where supported by borrowing/leverage).
8. Members will be updated on how these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS and associated reports.
9. Whilst the reporting requirements do not formally need to be adopted until 2023/24, the Codes are now in force and should be followed when decisions on capital expenditure, treasury, service and commercial investment are being taken.

Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement 2022/23

1. INTRODUCTION

- 1.1 The Act and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The 2022/23 strategy for the following aspects of the treasury management function is based upon treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, LAS. The strategy covers:
 - limits in force to mitigate the Council's treasury risk;
 - Prudential Indicators;
 - current treasury position;
 - borrowing requirement;
 - prospects for interest rates;
 - borrowing strategy;
 - policy on borrowing in advance of need;
 - investment strategy;
 - creditworthiness policy;
 - policy on use of external service providers;
 - Minimum Revenue Provision (MRP) statement;

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- treasury management scheme of delegation and section 151 role;
- ethical investment policy
- miscellaneous treasury issues.

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

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

2. CAPITAL PRUDENTIAL INDICATORS FOR 2022/23 TO 2024/25

2.1 Capital expenditure plans are a key driver of treasury management activity. There are prudential indicators that focus on the Council's capital spending plans.

2.2 The first prudential indicator is a summary of the Council's capital expenditure plans, shown in Table 1.

Table 1: Capital Expenditure

Capital Expenditure	2020/21 £000 Actual	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate
Community Services	-	147	190	-	-
Environment	2,966	6,625	7,855	4,337	532
Housing General Fund	1,643	2,721	5,813	365	365
Strategy & Resources	904	1,799	174	3,533	-
General Fund	5,513	11,292	14,032	8,235	897
HRA	7,171	21,790	21,644	16,137	13,115
Total	12,684	33,082	35,676	24,372	14,012

2.3 Any shortfall of resources to finance the capital programme results in a borrowing need as set out in Table 2 below.

Table 2: Capital Financing

Capital Expenditure	2020/21 £000 Actual	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate
General Fund	5,513	11,292	14,032	8,235	897
HRA	7,171	21,790	21,644	16,137	13,115
Total	12,684	33,082	35,676	24,372	14,012
Financed by:					
Capital receipts	1,363	3,251	2,959	1,324	600
Capital grants	2,570	7,813	12,943	3,742	395
Capital reserves	5,098	10,924	6,772	8,433	6,609
Revenue	807	671	1,969	712	1,757
Net GF Financing Need for the year	2,085	2,805	805	4,493	502
Net HRA Financing Need for the year	761	7,618	10,228	5,668	4,149
Total Net Financing Need for the year	2,846	10,423	11,033	10,161	4,651

2.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic capital expenditure which has not yet been financed from either revenue or capital resources. It is the measure of the Council's underlying borrowing need. Any newly planned unfinanced capital expenditure will increase the CFR.

2.5 The Council is asked to approve the CFR projections below that are in line with approved capital budgets:

Table 3: The Council's borrowing need (Capital Financing Requirement)

Capital Financing Requirement	2020/21 £000 Actual	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate
CFR - General Fund	15,202	16,906	16,670	19,948	19,279
CFR - HRA	96,128	103,746	113,974	119,642	123,791
Total CFR	111,330	120,652	130,644	139,590	143,070
Movement in CFR	1,316	9,322	9,992	8,946	3,480

Movement in CFR represented by					
Net financing need for the year	2,846	10,423	11,033	10,161	4,651
Less MRP / VRP and other financing movements	-1,530	-1,101	-1,041	-1,215	-1,171
Movement in CFR	1,316	9,322	9,992	8,946	3,480

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Minimum Revenue Provision (MRP) Policy Statement 2022/23

- 2.6 The Council's MRP policy statement for 2022/23 is in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. MRP will be charged under Option 3 of the DLUHC guidance on General Fund borrowing. Option 3 is an MRP charge over a time period reasonably commensurate with the estimated useful life of a new asset.
- 2.7 There is no requirement to charge MRP to the HRA. However, since the introduction of Self-Financing the HRA is required to charge depreciation on its assets for financial years commencing April 2017. As a result, depreciation has been a real cost to the HRA from financial year 2017/18 onwards.
- 2.8 The HRA 30 year financial plan now includes provision for the repayment of debt and therefore the HRA will make Voluntary Revenue Provision (VRP) when this is considered prudent. The HRA has paid VRP of £0.9m in (19/20). There are no current plans to make further VRP payments, but sums for HRA debt repayment are currently being placed each year in an earmarked reserve.
- 2.9 The requirement for the General Fund to charge MRP began when the General Fund first undertook borrowing during financial year 2016/17. Since then, borrowing in respect of The Pulse fitness extension, Multi-Service contract vehicles, premises and equipment, Littlecombe Business Units, the Canal, Brimscombe redevelopment and water source heat pumps project has resulted in a requirement to charge the General Fund with MRP, as a prudent provision for the repayment of that debt.
- 2.10 The status of £2m of funding received from the HCA in respect of capital development works to Brimscombe Port is effectively a loan. As no expenditure related to that loan has yet been incurred no MRP is charged to make provision for repayment. When expenditure is incurred then MRP will begin.
- 2.11 In 2022-23 IFRS16 is introduced and this will have the effect of removing the current distinction between finance and operating leases. As a result, some currently leased assets will come on balance sheet, but the impact is assessed as immaterial. The policy will be for these leased assets to be depreciated by the same amount as the MRP element of annual lease payments. MRP is the capital element of the annual lease payments, excluding interest and service elements which are revenue costs.
- 2.12 DLUHC is currently consulting on MRP regulation changes to address a perception that some local authorities are not adequately complying with the duty to make proper MRP charges to their revenue budgets. Responses are due by 8 February 2022.

Table 4: Core Funds and Expected Investments

Year end resources	2020/21 £m Actual	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
Fund balances / reserves	38.616	33.186	30.713	26.121	23.689
Capital receipts	10.259	7.638	5.309	4.620	4.655
Provisions	1.536	0.800	0.800	0.800	0.800
Other	0.938	0.500	0.500	0.500	0.500
Total Core funds	51.349	42.124	37.322	32.041	29.644
Working capital	13.129	2.000	2.000	2.000	2.000
Under (-) / over borrowing	-8.615	-17.935	-12.927	-15.873	-14.353
Expected investments	55.863	26.189	26.395	18.168	17.291

2.13 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed in Table 4 above are estimates of the year-end balances for each resource and total cash flow balances.

Affordability of capital plans prudential indicators

2.14 A prudential indicator is required to assess the affordability of capital expenditure plans. This indicator provides an estimate of the impact of capital investment plans on the Council’s overall finances. The Council is asked to approve the cost of capital expenditure plans as a ratio of the net revenue stream indicator shown in table 5.

Table 5: Ratio of financing costs to net revenue stream

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	1.09%	0.98%	0.65%	0.75%	0.73%
HRA	16.10%	14.83%	14.31%	13.79%	13.45%

3. BORROWING

3.1 Amongst the objectives of the treasury management function are ensuring that the Council’s cash is managed in accordance with relevant professional codes and that sufficient cash is available at the right times to facilitate revenue and capital spending plans. Capital expenditure plans as set out in section 2 indicate if borrowing is required.

3.2 Table 6 shows the actual external debt, compared against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6: Gross Debt compared with Capital Financing Requirement (CFR)

	2020/21 £m Actual	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
External Debt					
Debt at 1 April	102.717	102.717	102.717	117.717	123.717
Expected change in debt	-	-	15.000	6.000	5.000
Other long term liabilities at 1 Apr	-	-	-	-	-
Actual Gross Debt at 31 March	102.717	102.717	117.717	123.717	128.717
Capital Financing Requirement	111.330	120.652	130.644	139.590	143.070
Under / (-) over borrowing	8.613	17.935	12.927	15.873	14.353

Borrowing Strategy

3.3 Currently the Council has £102.717m of external borrowing, compared with a Capital Financing Requirement (CFR) of £111.330m. This means that the capital borrowing need (the CFR) is greater than loan debt by £8.613m, which is the level of internal borrowing. The Council will repay £2m of borrowing during the 2022/23 financial year in February 2023.

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- 3.4 There was a limit on HRA borrowing set by the Government in the Localism Act 2011 known as the HRA debt cap. This Council's HRA debt cap was £95.742m. This cap was the absolute limit for HRA borrowing under the Prudential Code, even if the Council considered further borrowing was affordable by the HRA. The debt cap was removed in 2018.
- 3.5 HRA capital plans now include borrowing totalling £27.663m up to 2024/25. General Fund capital plans include borrowing of £8.605m up to 2024/25. The Section 151 officer will decide on the length and type of borrowing which may be required, as well as the optimum time to borrow in consultation with LAS, and take into account the latest projections for interest rates and other relevant factors including any benefits arising from internal borrowing.
- 3.6 At the end of 2022/23 there is an estimated internal borrowing position of £12.927m. Internal borrowing is currently beneficial because it reduces the financial impact of the differential between borrowing and investment interest rates. This position is projected as continuing through the period to 2024/25. Although, with the MTFP forecasting the running down of balances, and possible future changes in interest rate forecasts the Section 151 officer will keep this under review, and adjust the strategy as necessary in consultation with our Treasury advisers LAS.
- 3.7 Within the prudential indicators, there are key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not for revenue purposes.
- 3.8 The Section 151 officer reports that the Council complied with this prudential indicator in the current year and does not expect any breaches up to and including financial year 2024/25. This view takes into account current commitments, existing plans, and the proposals in this year's budget report.
- 3.9 There are two Treasury indicators set which limit external debt. The operational boundary is the limit that external debt should not normally exceed. If external debt were to exceed this figure, then it should prompt an internal investigation to establish the reasons why the breach had occurred.

Table 7: Operational Boundary

Operational Boundary	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
Debt	133	142	152	155
Other Long Term Liabilities	-	-	-	-
Total	133	142	152	155

- 3.10 The Authorised Limit is set or revised by full Council, and must not be exceeded. It represents the level of debt that is unsustainable in the longer term. It is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control local government borrowing in total or for specific councils. This power has not been used to date.

3.11 The Council is asked to approve the following Authorised Limit:

Table 8: Authorised Limit for External Debt

Authorised Limit	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
Debt	138	147	157	160
Other Long Term Liabilities	-	-	-	-
Total	138	147	157	160

3.12 Link Asset Services (LAS) are treasury advisers to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the latest LAS forecast as at December 2021.

Table 9: Interest Rate Forecast

Month	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
Mar-22	0.25	1.5	1.9	1.7
Jun-22	0.5	1.5	2	1.8
Sep-22	0.5	1.6	2.1	1.9
Dec-22	0.5	1.6	2.1	1.9
Mar-23	0.75	1.7	2.2	2
Jun-23	0.75	1.8	2.2	2
Sep-23	0.75	1.8	2.2	2
Dec-23	0.75	1.8	2.3	2.1
Mar-24	1	1.9	2.3	2.1
Jun-24	1	1.9	2.4	2.2
Sep-24	1	1.9	2.4	2.2
Dec-24	1	2	2.5	2.3
Mar-25	1.25	2	2.5	2.3

Treasury management limits on activity

3.13 The purpose of treasury management limits is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The maturity structure of borrowing limits is set out in Table 10. The gross limits are set to control the Council’s exposure to large fixed rate sums falling due for refinancing at the same time. Upper and lower limits are set for each time period.

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3.14 The Council is asked to approve the following treasury indicators and limits:

Table 10: Maturity structure of borrowing

Maturity structure of new fixed and variable rate borrowing during 2022/23	Upper Limit	Lower Limit
Under 12 months	25%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Policy on borrowing in advance of need

3.15 The Council will not borrow more than, or in advance of, need purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates as required by the Prudential Code (see paragraph 3.7). Decisions to borrow will seek to ensure value for money and security of funds.

3.16 The Council will consider borrowing up to 12 months ahead of capital spend:

- If such capital spend is considered very likely to occur within 12 months;
- treasury advisers demonstrate that rates are particularly low and likely to move higher within 12 months;
- treasury advisers evaluate a net saving after assessing cost of carry;
- a trigger rate(s) will be set by s151 officer in consultation with treasury advisers and treasury officers;
- borrowing may be conducted in parcels – e.g. £4m could be split into 4 x £1m or 2 x £2m;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been fully considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.17 The foregoing usual procedure will not prevent the Section 151 officer from forward borrowing to the fullest extent permitted by the Prudential Code, CFR for the current year plus the following two years, if extraordinary conditions arise in the short term to make such action in the interests of the authority.

Debt rescheduling

- 3.18 The Council has £102.7m of debt. There is a repayment of £2m due in February 2023. The Section 151 officer will keep under review opportunities for debt rescheduling. Debt rescheduling will be reported to Council at the next meeting after it occurs.

4. ANNUAL INVESTMENT STRATEGY

Investment Policy

- 4.1 It is vital that the Council ensures that its investment balances are best utilised to help the overall financial position. Appendix A shows there is over £50m invested as at 31 December 2021. Improving average returns on the Council's investment portfolio will be a significant factor in improving the Council's financial sustainability. Investment strategy is to broaden the range of longer term investments, and during 2019/20 £10m of longer term investments were approved comprising £6m in property funds and £4m in multi-asset funds.
- 4.2 The Council will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance") issued in March 2004, any updates to that guidance such as the 2018 update, and the 2021 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code"). The Council's investment priorities in order are:
- 1) security
 - 2) liquidity
 - 3) yield
- 4.3 In accordance with the above, and in order to minimise the risk to investments with banks and building societies, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what the ratings mean for each agency. LAS's bank ratings service enables real-time monitoring of a bank's rating. Daily emails are sent to the Council to notify of any significant change to a bank rating, and are available on Link's Passport online portal.
- 4.4 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector. Assessment will also take account of information reflecting the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" (CDS). Other information sources used will include the financial press, share price and other such information about the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 4.5 The intention of the strategy is to provide security of investment whilst maximising returns and an awareness of the risks, both of losing capital and also of eroding the value of funds through lower rates of return.
- 4.6 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council has been generally low in order to give priority to security of investments, however higher risk longer term investments are part of a balanced portfolio of investments up to a value of £15m, subject to proper due diligence by the Section 151 officer.

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- 4.7 Borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 4.8 'Specified' Investments which are investments with a high level of credit quality and maturities of up to 1 year and 'Non-Specified' Investments which are of a lower credit quality, may be for longer periods than 1 year and are more complex investment instruments which require proper due diligence before they are authorised for use during the financial year.

Table 11: Upper limit for investments over 365 days

Upper Limit for total principal sums invested for over 365 days	2020/21	2021/22	2022/23	2023/24	2024/25
Investments	£15m	£15m	£15m	£12m	£10m

Specified Investments

- 4.9 All specified investments will be sterling denominated, with maturities up to 1 year or less (including any forward deal time), subject to LAS's colour coding rating system as set out in creditworthiness policy paragraphs 4.19 – 4.24.

Table 12: Specified Investments

Type of Investment	Minimum 'High' Credit Criteria	Max Sum** per institution / group
Debt Management Agency Deposit Facility	*	Unlimited
Term deposits – local authorities	*	£4m per local authority £12m total
Term deposits – banks and building societies	Colour coded as per CAS Weekly counterparty listing (AA-countries & UK only)	£8m
UK Government Gilts	*	£12m
Bonds issued by multilateral development banks	*	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	£8m
Treasury Bills	*	£12m
Certificates of deposits issued by banks and building societies	Colour coded as per CAS Weekly counterparty listing (AA-countries & UK only)	£8m
Money Market Funds (CNAV)	AAA	£6m per MMF & £12m total in MMFs
Money Market Funds (LVNAV)	AAA	£4m per MMF & £12m total in MMFs
Money Market Funds (VNAV)	AAA	£2m & £12m total in MMFs

Non-Specified Investments

- 4.10 All investments will be sterling denominated.
- 4.11 Investments will not necessarily be made in all categories but they are included to allow the Council to put together a balanced portfolio to mitigate risk.
- 4.12 There are some important considerations that need to be borne in mind when considering non-specified investment types:

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- There is usually a need to commit to investing for the medium to longer term and so funds invested need to be sourced from balances that will not be called upon for cash flow purposes in the short term;
- Some investments have naturally fluctuating capital values, whilst still providing a revenue income stream;
- Fluctuation in the value of pooled investments has no impact upon the General Fund in the short term. This is because government has given local government a 5-year mitigation, commencing April 2018 and ending March 2023, under the accounting standard IFRS9 which affects the accounting for pooled investments. Without the mitigation, IFRS9 would have meant charging any fluctuations in capital values of investments against the Council's revenue expenditure each year. In financial year 2023-24 any balance on the Financial Instrument Adjustment account will be charged to revenue.
- The Section 151 officer will subject any investment proposals to extensive due diligence using investment advisers as appropriate.

4.14 An investment selection process lead by LAS and involving a cross-party member advisory group to reflect member views in the decision making process was carried out in 2019 to select property fund and multi-asset fund investments. That process resulted in the selection and approval of investments in two property funds (Lothbury £4m and Hermes £2m), and two multi-asset funds (Royal London £3m and CCLA £1m). The multi-asset funds are under the Mixed Investment 0 – 35% Shares non-specified category, although it is accepted by the Section 151 officer that there could theoretically be up to 40% in equities in the CCLA fund due to their volatility constraints.

4.15 Predominantly, investments greater than a year in duration except for unrated building societies which are limited to durations of less than a year.

Table 13: Non-specified Investments

Financial instrument / institution	Minimum Credit Criteria	Max. maturity period	Max. Sum**
Term deposits – banks and building societies	Colour coded as per LAS Weekly counterparty listing (AA- countries & UK only)	3 years	£8m
Certificates of deposits issued by banks and building societies	Colour coded as per LAS Weekly counterparty listing (AA- countries & UK only)	3 years	£8m
Building Societies	Unrated with assets > £1bn	6 mths	£2m*****
Building Societies	Unrated with assets < £1bn	3 mths	£1m*****
Property Funds	***	25 years	£12m
Short Dated Bond Funds	****	3 years	£3m
UK Gilts Funds	****	4 years	£3m
UK Index Linked Gilts Funds	****	4 years	£3m
£ Corporate Bond Funds	****	4 years	£3m
UK Equity & Bond Income Funds	****	10 years	£3m
Mixed Investments 0-35% Shares	****	3 years	£6m
Mixed Investments 20-60% Shares	****	4 years	£4m
Mixed investments 40-85% Shares	****	5 years	£3m
Corporate Bonds	AA-	3 years	£3m
Housing Associations	AA-	3 years	£3m
Folk2Folk	****	5 years	£1m
UK Local Authorities	*	3 years	£8m
UK Government Gilts	*	3 years	£8m
Bonds issued by multilateral development banks	*	3 years	£8m
Bonds issued by a financial institution which is guaranteed by the UK government	*	3 years	£8m

* Government institutions have the highest security, although they are not formally rated.

** A maximum sum refers to the combined total of specified and non-specified investments with a particular bank, or group if specified.

*** Any investment would be subject to an evaluation process and a report to Strategy and Resources Committee.

**** Due diligence Section 151 Officer

***** Maximum of £8m in unrated building societies

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Investment Definitions

Short Dated Bond Funds focus on shorter-term investments, typically with a maturity limit of 5 years. May invest in all forms of fixed income investments, including government and corporate debt. They are often limited to using only investment grade bonds (BBB-rated and higher), but some funds may make use of sub-investment grade bonds, or unrated issuance.

UK Gilt Funds invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) government backed securities, with a rating the same or higher than that of the UK, with at least 80% invested in UK government securities (Gilts).

UK Index Linked Gilt Funds invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) government backed index linked securities, with a rating the same or higher than that of the UK government, with at least 80% invested in UK Index Linked Gilts.

Sterling Corporate Bond Funds invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling), Triple BBB minus or above corporate bond securities (as measured by Standard & Poors or an equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs).

UK Equity & Bond Income Funds invest at least 80% of their assets in the UK, between 20% and 80% in UK fixed interest securities and between 20% and 80% in UK equities. These funds aim to have a yield in excess of 120% of the FTSE All Share Index.

Mixed Investments 0 – 35% Share Funds are required to have a range of different investments. Up to 35% of the fund can be invested in company shares (equities). At least 45% of the fund must be in fixed income investments (for example, corporate and government bonds) and/or “cash” investments. “Cash” can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

Mixed Investments 20 – 60% Shares Funds are required to have a range of different investments. The fund must have between 20% and 60% invested in company shares (equities). At least 30% of the fund must be in fixed income investments (for example, corporate and government bonds) and/or “cash” investments. “Cash” can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

Mixed Investments 40 – 85% Shares Funds are required to have a range of different investments. However, there is scope for funds to have a high proportion in company shares (equities). The fund must have between 40% and 85% invested in company shares.

Property Funds invest an average of at least 70% of their assets direct in UK property over 5 year rolling periods.

Investment Strategy

- 4.13 Cash flow forecast requirements and the outlook for short-term interest rates are important factors to consider when making investments. During 2021 base interest rate was 0.10% until 16 December when it increased to 0.25%.
- 4.14 In 2022-23 the Council will continue to invest in the specified investment category for the longest permitted duration with quality counterparties to maximise return without

compromising security or liquidity. In particular instances the Section 151 Officer may authorise investments in the LAS blue category (see para 4.20) for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council’s upper time limits.

Table 14: Investments maturing after the end of the current financial year.

Financial Institution	Amount Invested £	Maturity	Rate
Toronto Dominion Bank	2,000,000	02/09/2022	0.16%
NatWest (RFB)	3,000,000	18/08/2022	0.19%
Thurrock District Council	1,000,000	01/07/2022	0.15%
Toronto Dominion Bank	2,000,000	28/06/2022	0.11%
Dudley Metropolitan Council	1,000,000	01/04/2022	1.45%
Lothbury Property Fund	4,000,000	long term	variable
Hermes Property Fund	2,000,000	long term	variable
Royal London Multi Asset Fund	3,000,000	long term	variable
CCLA Multi Asset Fund	1,000,000	long term	variable

4.15 The Council has £10m of fund investments in the Non-Specified category.

4.16 Bank Rate is currently forecast to increase to 1.25% by March 2025.

4.17 The Council will primarily make short-dated deposits of up to a year with appropriately rated banks or UK local authorities rather than utilising call accounts or money market funds in order to maximise interest. Transaction costs will be taken into account in any investment decision for smaller sums, which means balances of up to £1m may be retained in lower interest rate accounts. This will be done to save transaction costs, where transaction costs would exceed interest earned.

4.18 There will be daily monitoring of investments by treasury staff. There will be first quarter and third quarter reports to Audit and Standards Committee and a strategy report, half year and

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year end reports that detail investment activity and performance to Audit and Standards Committee and to Council.

Creditworthiness policy

- 4.19 This Council applies the creditworthiness service provided by LAS. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
 - CDS spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 4.20 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
- **Yellow** 3 years
 - **Dark pink** 3 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
 - **Light pink** 3 years for Ultra-Short Dated Bond Funds with credit score of 1.5
 - **Purple** 2 years
 - **Blue** 1 year (only applies to nationalised or semi nationalised UK Banks)
 - **Orange** 1 year
 - **Red** 6 months
 - **Green** 100 days
 - **No colour** not to be used
- 4.21 This creditworthiness service uses a wider array of information than just primary ratings, and by using a risk weighted scoring system, it does not give undue impact to just one agency's ratings.
- 4.22 Typically, the minimum credit ratings criteria the Council uses will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings, but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 4.23 All credit ratings will be monitored prior to making an investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the LAS creditworthiness service.
- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its use for new investments will be withdrawn immediately;
 - in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via LAS's Passport website. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

- 4.24 The Council will not place sole reliance on the use of this external service. In addition, this Council will use market data and market information, and information on external support for banks to help support its decision making process.

Benchmarking investment performance

- 4.25 Publication of official LIBOR and LIBID interest rates ceased at the end of 2021. The Council will from 2022-23 onwards benchmark specified investments against the 7-day and 3-month compounded SONIA (Sterling Overnight Index Average) rate, which is the risk-free rate for sterling markets administered by the Bank of England. The Council's fund investments will be benchmarked against the 0 – 35% shares index.

Ethical Investment Policy

- 4.26 Stroud District Council is directly and indirectly investing an average of over £150m per day throughout the year. As directed by the CIPFA Treasury Code's requirement for Councils to prioritise security, liquidity and yield, return on investment is important, but more important are the security of the sums invested and the availability of funds when they are needed.
- 4.27 An important factor that sits alongside those fiduciary duties is responsible or ethical investment, in particular our investments' impacts on the climate because of the Council's 2018 declaration of a Climate Change Emergency and 2019 commitment to be a Carbon Neutral District by 2030.
- 4.28 This Council is supportive of the Principles for Responsible Investment (www.unipri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision making process for investments.
- 4.29 The ethical policy will be developed by examining and exploring in consultation with members, Link Asset Services, other government and local government organisations what the Council can do to avoid and minimise the collateral impacts of investments and maximise positive impacts, whilst still meeting its primary fiduciary duties to prioritise security, liquidity and yield.
- 4.30 The Ethical Investment Policy is set out in Appendix E.

Country limits

- 4.31 The Council will only invest in the UK and countries with a sovereign rating of AA- or higher. The following countries currently have sovereign ratings of AA- or higher, and also have banks operating in sterling markets which have credit ratings of green or above in LAS credit worthiness service.

AAA	AA+	AA	AA-
Australia	Canada	Abu Dhabi (UAE)	Belgium
Denmark	Finland	France	Hong Kong
Germany	USA		Qatar
Luxemburg			UK
Netherlands			
Norway			

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Singapore

Sweden

Switzerland

5. MISCELLANEOUS TREASURY ISSUES

Use of external service providers

- 5.1 A treasury management advice contract with Link Asset Services (LAS) was procured via the Eastern Shires Purchasing Organisation (ESPO) commencing 1 October 2020. This contract has an end date of 30 September 2023, with an option to extend until 30 September 2025. Responsibility for treasury management decisions remains with the Council at all times, therefore undue reliance will not be placed upon our external treasury management advisers.

Member Training

- 5.2 Member training provided by LAS was arranged for 17th January 2022.

6. IMPLICATIONS

6.1 Financial Implications

The whole report is of a financial nature.

It includes the detail of the Council's policies on investments and borrowing. The Council has a responsibility to set a Treasury Management Strategy for the effective management of investments and borrowings. It is designed to protect the Council's finances, and safeguarding public funds, through limiting exposure to risk.

The Strategy proposed is in line with the Medium-Term Financial Plan including estimates of capital expenditure, borrowing, costs and targets for income receivable.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

6.2 Legal Implications

As detailed within the report and appendices.

One Legal

Tel: 01684 272203 Email: legalservices@onelegal.org.uk

6.3 Equality Implications

The report includes an Ethical Investment Policy set out at Appendix E.

6.4 Environmental Implications

The report includes an Ethical Investment Policy set out at Appendix E.

Investments as at 31 December 2021

Counterparty	£	%	S / NS	Type	Issue	Maturity
NatWest Treasury Reserve	2,284,204	0.01%	S	Call		
Natwest RFB	3,000,000	0.19%	S	CD	19/08/2021	18/08/2022
NatWest/RBS GroupTotal	5,284,204					
Goldman	469	0.00%	S	Call		
Federated Prime Rate	746,302	0.03%	S	Call		
Aberdeen	3,984,267	0.05%	S	Call		
Money Market Fund Total	4,731,038					
Santander - 180 day Notice	55	0.58%	S	Notice		
Santander - 95 day Notice	7,999,320	0.40%	S	Notice		
Santander Total	7,999,374					
Svenska call	6,491,538	0.02%	S	Call		
Svenska 35 Day Notice	13,000	0.05%	S	Notice		
Svenska Total	6,504,538					
32 day notice	2,049,061	0.05%	S	Notice		
Lloyds Total	2,049,061					
Barclays FBCA	523	0.01%	S	Call		
Barclays 95 Day Notice	7,774,253	0.15%	S	Notice		
Barclays Total	7,774,775					
Standard Chartered 95 Day Notice	2,000,000	0.36%	S	Notice		
Standard Chartered	2,000,000	0.11%	S	Fixed	20/08/2021	18/02/2022
Standard Chartered	3,000,000	0.08%	S	Fixed	29/09/2021	05/01/2022
Standard Chartered Total	7,000,000					
Toronto Dominion	2,000,000	0.20%	S	CD	06/09/2021	02/09/2022
Toronto Dominion	2,000,000	0.20%	S	CD	28/09/2021	28/06/2022
Toronto Dominion	4,000,000					
Goldman Sachs	2,000,000	0.09%	S	Fixed	01/09/2021	01/03/2022
Goldman Sachs	2,000,000	0.21%	S	Fixed	08/10/2021	31/03/2022
Goldman Sachs	4,000,000					
Coventry Building Society	2,000,000	0.12%	S	Fixed	22/12/2021	19/01/2022
National Counties Building Society	2,000,000	0.19%	S	Fixed	20/09/2021	26/01/2022
Principality Building Society	2,000,000	0.09%	S	Fixed	14/09/2021	26/01/2022
Building Societies	6,000,000					
Bayerische Landesbank	2,000,000	0.14%	S	Fixed	15/10/2021	26/01/2022
Bayerische Landesbank	2,000,000					
Thurrock District Council	1,000,000	0.15%	S	Fixed	01/07/2021	01/07/2022
Dudley Metropolitan Council	1,000,000	1.45%	S	Fixed	03/04/2020	01/04/2022
Local Authorities	2,000,000					
CCLA	1,000,000			MAF		
Hermes	2,000,000			PF		
Lothbury	4,000,000			PF		
Royal London	3,000,000			MAF		
Funds	10,000,000					
TOTAL INVESTMENTS	69,342,990					

S = Specified Investment - 1 year and less
 PF = Property Fund (non-specified) latest valuation
 MAF = Multi-asset fund (non specified)
 SONIA = Sterling Over Night Index Average

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EXPLANATION OF PRUDENTIAL INDICATORS

Central government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they can demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Capital expenditure – table 1 shows last year's capital expenditure, this year's projected capital expenditure and the approved programme until 2024/25.

Ratio of financing costs to net revenue stream – table 5 shows that the General Fund interest on borrowing accounts for between 0.98% and 0.65% of net revenue. In the HRA interest on net borrowing now accounts for between 14.83% and 13.45% of net revenue.

Net borrowing need – table 2 shows borrowing planned to fund the capital programme.

Capital financing requirement (CFR) as at 31 March – table 3 shows the CFR which is the council's underlying need to borrow for capital purposes as determined from the balance sheet. Table 6 shows the overall CFR is £111.330m. As the Council has borrowing of £102.717m the balance sheet shows there is currently under borrowing of £8.613m, which is projected to increase to £17.935m by 31 March 2022.

Authorised limit for external debt - table 8 shows the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows.

Operational boundary for external debt – table 7 shows the more likely limit to the level of external debt that may be required for day to day cashflow.

Upper limit for total principal sums invested for over 365 days – table 11 shows the amount it is considered can be prudently invested for period in excess of a year.

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ECONOMIC BACKGROUND

MPC meeting 4th November 2021

- The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.
- After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.
- Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.
- Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of “excess savings” accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.
- The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.
- It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was ‘sustainably over 2%’. On balance, once this winter is over and world demand for gas reduces - so that gas prices

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Appendix C

and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread. There is also a potential for the winter flu season combined with Covid to overwhelm NHS hospitals so the UK is not entirely in the clear yet.
- **Since the September MPC meeting**, the economy has been impacted by rising gas and electricity prices which are now threatening to close down some energy intensive sectors of industry – which would then further impact the supply chain to the rest of the economy. Ports are also becoming increasingly clogged up with containers due to a shortage of lorry drivers to take them away. The labour market statistics for August released in mid-October showed a sharp rise in employment but also a continuing steep rise in vacancies. The combination of all these factors is a considerable headwind to a recovery of economic growth in the months ahead.

US. Shortages of goods and intermediate goods like semi-conductors, are fuelling increases in prices and reducing economic growth potential. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target. This could well cause the Fed to focus on supporting economic growth by delaying interest rate rises, rather than combating elevated inflation i.e., there may be no rate rises until 2023.

EU. The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next

coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. Supply shortages, especially of coal for power generation, which is causing widespread power cuts to industry, are also having a sharp disruptive impact on the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida had promised a large fiscal stimulus package after the November general election which his party has now won.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

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**TREASURY MANAGEMENT SCHEME OF DELEGATION AND ROLE
OF THE SECTION 151 OFFICER**

1. Council

- Approval of annual strategy, mid-year report and outturn report

2. Audit and Standards Committee

- Receipt and review of quarterly monitoring reports
- Receipt, review and recommendation to Council of reports on treasury strategy, policy and activity

3. Section 151 Officer

- Reviewing the treasury management policy, procedures, strategy and making recommendations to the Audit and Standards Committee;
- Approving the selection of external service providers and agreeing terms of appointment;
- Submitting regular treasury management strategy reports;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy on internal audit and liaising with external audit;
- Treasury management/capital and revenue financial implications of the Capital Strategy;
- Preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe;
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- Ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

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ETHICAL INVESTMENT POLICY

Investments covered by the ethical investment policy can be treasury investments or capital programme expenditure.

Statement of Principles

The Council will avoid direct investment or borrowing activities with organisations whose core activities include:

- Fossil Fuel extraction and combustion
- Armaments – weapon systems
- Gambling
- Pornography
- Tobacco
- Pay-day loans

The Council will seek to directly invest in organisations or financial products whose core focus includes:

- Renewable energy
- Green investment products (for example Barclays 95-day notice green account £7.8m, Standard Chartered ESG fixed deposits £5m – the Council has been using these products over a number of years)
- Social housing

Impact Investments

The Council will seek to be innovative and take proportionate risk-based decisions to invest in local organisations, for example by considering online platforms such as Folk2Folk or investments through Triodos Bank. Any such investment types will be approved for use in the annual Investment Strategy.

Short Term Investments

Link's Creditworthiness system based on the principles of security, liquidity and yield is a determining factor in the decision-making process as to whether or not the Council invests with a particular financial institution, and for determining the maximum time period. The Council will seek to work with others to lobby for a Creditworthiness system that incorporates analysis of ESG (Environmental, Social and Governance) factors into the scoring system.

In the interim, the Council proposes to contract with Camdor Global Advisers who in collaboration with CIPFA have developed an ESG rating system. They will provide quarterly analysis of the Council's direct investment portfolio, which will enable ESG to be a factor in the investment decision-making process. Review and analysis will be incorporated into quarterly Treasury Management monitoring reports to Audit and Standards Committee.

In order to comply with treasury management professional guidance, the Council's investments must prioritise security, liquidity and yield in that order. This Ethical Investment Policy is a fourth consideration in the decision making process.

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Appendix E

Property and Multi-Asset Fund Investments

Property Fund or Multi-Asset Fund investment selection processes will involve pre-screening to exclude funds with holdings in the above categories such as fossil fuels. This process was followed for the Council's £10m Multi-Asset and Property Fund investments in 2019. There will also be ongoing monitoring and reporting of ESG fund performance.

Pension Fund Investments

As at 31/03/2021 the Council's fund had pension fund investments of £115m. The Council's fund is part of the £2bn Gloucestershire Pension Fund, which makes up part of the £35bn Brunel Pension Partnership. The council will keep under review the County Council Investment Strategy Statement and The Brunel Partnership investment policies and performance. The Council will take up any training or feedback and aim to take an active rather than passive role in ESG investments of the fund.

Reporting

Performance reporting in relation to the ethical investment policy will be part of the annual outturn report and quarterly reports, as well as incorporation into the Annual Strategy document.

Ethical Investment Policy Review

The Ethical Policy will be subject to annual review.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

8 FEBRUARY 2022

WORK PROGRAMME

Meeting Date	Report Description	Responsible Officer / Member
26 April 2022	Standing Items	Members
	a. To consider the work programme for 2022/23. b. To consider any Risk Management issues.	
	Risk Based Internal Audit Plan 2022/23	Group Manager
	Internal Audit Activity Progress Report 2021/22.	Chief Internal Auditor
	Follow up Enforcement Report	
	Annual Report of the Audit and Standards Committee	Chair
	Counter Fraud Unit Update and Annual RIPA/IPA Update	Counter Fraud Manager
	Final Policy for the use of internet/social media in investigations and enforcement	Counter Fraud Manager
	Review of the Effectiveness of the Audit and Standards Committee	Group Manager
	Business Grants Assurance	Chief Internal Auditor
	3 rd Quarter Treasury Management Activity Report 2021/22.	Principal Accountant

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Briefing Note for Audit and Standards Committee

1. Background

- 1.1 This Briefing Note sets out details of the improvement journey that Audit, Risk and Assurance (ARA) are embarking on. The purpose of these improvements is to enhance the service that we offer to the Council.
- 1.2 The Audit and Standards Committee are asked to note this briefing.
- 1.3 The improvements are internal to ARA and how we work, as well as external in how we report on our work to management and the Audit and Standards Committee. Even before Covid 19, councils have had to deal with:
 - i. Austerity;
 - ii. Structural Change;
 - iii. Having less staff and resources;
 - iv. Being a smaller Council;
 - v. Increase in risks to service delivery;
 - vi. More commercial outlook;
 - vii. Greater reliance on IT;
 - viii. Risks of getting it wrong.
- 1.4 The challenge for Internal Audit is to up our game, to make ourselves more relevant to the needs of the Council and to improve the service that we offer.
- 1.5 There are many positive attributes regarding ARA and what we do. We are a well-established and stable team. We have a good mix of experience and new people. We also have a good reputation confirmed by an exceptional External Quality Assessment (EQA). So, there is a solid foundation to build upon.
- 1.6 However, improvement is a journey and not a destination. Following the excellent EQA, we are not resting on our laurels and have reviewed how ARA operates to identify areas where we can do things better. As part of this I am grateful to members of the Strategic Leadership Team (SLT) and the Chair of the Audit and Standards Committee for your input, which has helped to shape our improvements.
- 1.7 We have introduced a number of changes to our internal work processes. The aim is to be as efficient as possible so that we can help the Council to better meet its objectives, and to get it right first time.

2. Risk Based Internal Audit Planning

- 2.1 For the 2022-23 Internal Audit Plan, we have enhanced our methodology to better analyse and document risks. This will enable us to better align our work to the Council's risks.
- 2.2 In previous years, the Internal Audit Plan was based largely on discussions with management about the areas to audit. However, distinguishing between different risks,

particularly from different services and departments, was based more on objective opinions rather than qualified judgement.

- 2.3 Assessing how best to use our resources was challenging as it was not easy to measure the relative importance of risks and issues identified by management. Our new process will be more analytically driven and improve our ability to more accurately measure and compare risks, and enable our work to be better aligned to the risks of the Council.
- 2.4 A review of risk management currently being undertaken will also help here by helping the Council to improve its risk management processes. This should include:
 - i. Staff training;
 - ii. Identification, analysis, measurement and recording of risks; and
 - iii. The reporting of risks to SLT and the Audit and Standards Committee.

3. Annual Internal Audit Plan

- 3.1 The Internal Audit Plan will also have a different look to it:
 - i. The plan document will be shorter and more concise;
 - ii. It will be split into quarters to indicate when specific pieces of work are due to take place. This will assist us with our resourcing requirements;
 - iii. There will also be a risk rating against each planned audit to indicate its relative importance.

4. Undertaking Audits

- 4.1 From January 2022 we have introduced a new automated methodology for undertaking audit work. This methodology will replace Galileo, the current audit management system.
- 4.2 The new methodology is designed to improve our efficiency and turnaround time for completing audit work. It will also add greater consistency to how we undertake audits and allow for better performance monitoring across the team.
- 4.3 One feature of the new methodology has been to refresh the look of documentation. This includes a new Terms of Reference, the use of which has started as of January 2022.

5. Internal Audit Reports

- 5.1 The format of our reports will also change from January 2022. They will be more focussed, concise and dynamic, clearly highlighting the areas that need to be addressed by management.
- 5.2 The risks identified in our reports will be rated using a High, Medium, and Low categorisation.
- 5.3 ARA suggest that for High risk items, the relevant management should commence actions to implement the recommendations to address these issues within two weeks of the issue of the final report. It should be clear that this is to commence the actions – the recommendation may not have been actually implemented by that time.

- 5.4 For Medium risk findings the actions to implement the recommendations should be commenced within one month of the date of report.
- 5.5 Low category items will consist of suggestions for improvement and not strictly be recommendations. There will not be a strict time limit to implement these.
- 5.6 Internal Audit reports will no longer contain split assurance opinion levels. Instead, there will be a single assurance opinion given, which will be determined by the level to which controls mitigate risks to stated objectives.
- 5.7 Another improvement is that draft reports will be emailed to management, and a face to face (in person or virtually) meeting will be arranged to be held in a two-week period after this. It is the intention that at this meeting, management responses to the draft report will be obtained. The current process, whereby managers are asked to respond to Internal Audit via email, is too long and drawn out. This increases the time taken to issue final reports, sometimes significantly, which reduces their impact and delays risks from addressed.
- 5.8 Face to face discussions of draft reports will enable the Auditor to better explain audit findings and their relevance and capture management responses promptly.

6. Reporting to the Audit and Standards Committee

- 6.1 Reporting to the Audit and Standards Committee will also change. In particular, the Internal Audit Progress report will be split into two.
- 6.2 Firstly, the summaries of Internal Audit reports will be more concise than the ones currently presented to the Audit and Standards Committee. The intention is to make them shorter and to highlight the salient points.
- 6.3 The second part will be a summary of Internal Audit activity that will be red, amber, or green (RAG) rated to show the progress of individual audits:
 - i. Red will indicate an audit that is unlikely to be completed in-year;
 - ii. Amber will indicate a delay to the start of an audit; and
 - iii. Green will indicate that an audit is due to commence in the quarter stated in the Internal Audit Plan.
- 6.4 Currently, only reports which have received a “Limited” level of assurance are formally followed up and reported to SLT or the Audit Committee by Internal Audit. However, for other reports, there is no assurance to SLT or the Audit and Standards Committee from any source that recommendations have been implemented.
- 6.5 From April 2022, we will therefore introduce Recommendation Progress Monitoring reports. These will be issued by Internal Audit ahead of the Audit and Standards Committee, to the management responsible for implementing the recommendations. Management can then specify the progress made in implementing the recommendations, for example implemented, in progress or that more time is required.

6.6 The Progress reports will help SLT to monitor progress on recommendation implementation across the Council, and will also help the Committee to see that Internal Audit reports are being actioned.

6.7 The Annual Governance Statement (AGS) and the Head of ARA's Annual Report will be reviewed and updated to make them more focussed and concise.

7. New Areas of Work

7.1 ARA will look to increase the amount of consultative work undertaken at the Council. This will involve closer liaison by the Principal Auditor with management teams to identify areas where we can assist the Council.

7.2 We will also look to undertake new areas of work, for example around:

- i. Non-technical IT audits;
- ii. Climate Change;
- iii. Efficiency;
- iv. Financial Analysis;
- v. Governance;
- vi. Culture/Ethics; and
- vii. Project Management.

8. Conclusion

8.1 We believe that these changes will enhance the services that we offer, better enable the Council to manage its risks and to achieve its objectives.

8.2 SLT have agreed to support ARA in advocating these changes with Members and officers.