



Public Document Pack STROUD DISTRICT COUNCIL

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30 January 2023

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 7 FEBRUARY 2023** 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.

If you wish to attend this meeting, please contact democratic.services@stroud.gov.uk.
This is to ensure adequate seating is available in the Council Chamber.

AGENDA

1. **APOLOGIES**
To receive apologies for absence.
2. **DECLARATION OF INTERESTS**
To receive declarations of interest.
3. **MINUTES (Pages 3 - 8)**
To approve the minutes of the meeting held on 29 November 2022.
4. **PUBLIC QUESTIONS**
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, 1 February 2023

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. **MEMBER QUESTIONS**
See Agenda Item 4 for deadlines for submission.

6. **CONTRACT MANAGEMENT FRAMEWORK UPDATE (Pages 9 - 30)**
To update the Committee on the implementation of the Contract Management Framework.
7. **OUT OF HOURS SERVICE UPDATE (Verbal Report)**
To provide a verbal update on the Out Of Hours Service.
8. **TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2023/24 (Pages 31 - 66)**
This report outlines the Council's prudential indicators for 2023/24 – 2025/26 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 2023/24.
9. **ANNUAL GOVERNANCE STATEMENT 2021-22 IMPROVEMENT PLAN – PROGRESS (Pages 67 - 72)**
To provide assurance to the Audit and Standards Committee (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. **UNIFIED CODE OF CONDUCT (Pages 73 - 74)**
This report sets out the proposed Member Code of Conduct.
11. **STANDING ITEMS**
(a) Corporate Risk Register Update (Pages 75 - 84)
(b) To consider the Work Programme (Pages 85 - 86)
12. **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2022-23 (Pages 87 - 100)**
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2022-23.

LOCAL GOVERNMENT ACT 2000 – EXCLUSION OF PRESS AND PUBLIC

Appendix B for this item contains exempt information by virtue of Paragraphs 3 of Part 1 of Schedule 12a of the Local Government Act 1972 and a resolution may be passed to exclude the public during consideration of this item.

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 Pearcy (Vice-Chair)

Councillor Keith Pearson
Councillor Ashley Smith
Councillor Rich Wilsher



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AUDIT AND STANDARDS COMMITTEE

Tuesday, 29 November 2022

7.00 - 8.40 pm

Council Chamber

Minutes

Membership

* **Councillor Nigel Studdert-Kennedy**
(Chair)

Councillor Paula Baker

* Councillor Stephen Davies

Councillor Nick Hurst

Councillor Norman Kay

*Absent

Councillor Martin Percy (Vice-Chair in Chair)

Councillor Keith Pearson

Councillor Ashley Smith

Councillor Rich Wilsher

Officers in Attendance

Strategic Director of Resources

Corporate Director (Monitoring Officer)

Democratic Services & Elections Officer

Principal Accountant

Accountancy Manager

Head of Service Counter Fraud and
Enforcement Unit

Principal Auditor

Group Manager- Audit Risk Assurance
(ARA)

Others in Attendance

Umais Asghar – Deloitte

ASC.028 Apologies

Apologies for absence were received from Councillors Davies and Studdert-Kennedy.

As Councillor Studdert-Kennedy had provided his apologies for the meeting Councillor Percy proceeded as Vice-Chair in the Chair for the meeting.

ASC.029 Declaration of Interests

There were none.

ASC.030 Minutes

RESOLVED That the Minutes of the meeting held on 27 September 2022 were approved as a correct record.

ASC.031 Public Question Time

There were none.

ASC.032 Member Questions

There were none.

ASC.033 Counter Fraud and Enforcement Unit Report

The Head of Service, Counter Fraud and Enforcement Unit provided a brief update on the work their team had been completing and highlighted the following key points:

- 2.4 on page 10 of the reports pack outlined the Member Code of Conduct investigation that had been completed.
- 2.6 detailed that work that had begun regarding earnings information declared for the purpose of Test and Trace payments and Council Tax Support claims.
- 2.8 outlined the progress relating to the review of National Fraud Initiatives (NFI) data matching referrals on behalf of Revenues and Benefits.
- A report regarding the enforcement of Housing and Tenancy Fraud by the Council on behalf of Social Housing Providers within the district was approved at Housing Committee as detailed in 2.10.
- 2.15 onwards included an update which related to processes and activities in relation to the Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016.

The Head of Service, Counter Fraud and Enforcement Unit advised that at the last committee meeting there was a question raised regarding the information provided at the bottom of the Council Tax bills issued to residents. She confirmed that there was a note on the bottom reminding residents to update the Council regarding any changes that affected discounts and exemptions and that she had requested the additional line 'if you don't, you may be subject to a penalty'.

The Head of Service, Counter Fraud and Enforcement Unit gave the following answers in response to questions asked:

- 2.10 detailed £44,927 of increased revenue. This was the total figure of money owed from single person discount anomalies and would be recovered over a period of time in line with usual Council Tax collection processes.
- The £70 fixed penalty was set by legislation and could not be amended.
- The 20 civil penalties mentioned in 2.10 were applied for two reasons. Either residents did not declare that their situation in relation to Single Person Discount had changed within a timely manner or the information provided was false to begin with.
- The NFI matches were due to be completed by the end of December 2022.

Councillor Hurst proposed and Councillor Baker seconded.

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

RESOLVED To consider the report and comment as necessary.

ASC.034 Annual Audit Letter

Umais Asghar from Deloitte presented this item. The letter summarised the outcome of the audits carried out in 2021/22.

The following answers were given in response to questions from Members:

- Page 18 mentioned delays with returning audit evidence. This was due to annual leave, once this had been finalised a breakdown of the additional costs would be provided to the Committee.

2022/23

- The work on the car parks valuation detailed on page 26 was still ongoing and they were on the second round of queries. So far there had been no major changes and it was hoped to be concluded shortly.
- Page 32 detailed the discrepancies found with the Fixed Asset Register (FAR).
- The initial valuation of the car parks was outside of the acceptable variation range which is why it was considered to be overstated.
- Page 27 described the Goodwin judgement which was a historical case relating to pension liability.

In response to the Chair, Councillor Percy, the Accountancy Manager explained that the valuations were carried out by an external valuer and that Covid had an impact on revenue which in turn lowered the value of the car parks. The Strategic Director of Resources also confirmed that there were complex rules around valuing assets and that it was based on a long term assessment of rental income.

ASC.035 Statement of Accounts 2021/22

The Principal Accountant introduced the report and explained that the statement of accounts was initially signed off on the 28 July 2022 and the audit had begun on the 1 August 2022. He then drew the Committee's attention to the following key points:

- Page 52, table 1 highlighted the changes that had been made to the accounts throughout the audit process.
- The balance sheet found at page 72 of the reports pack was not the full balance sheet. It was missing the reserves which could be found in columns F and G on page 70 of on pages 115 - 116 of the reports pack.
- Pages 55 - 65 outlined the Section 151 Officer's summary of the year.
- Page 70 of the reports pack showed the movement of reserves.

The Strategic Director of Resources explained that there had been a misprint with the balance sheet found on page 72 however all the relevant information was included within the statement of accounts.

The Monitoring Officer advised that the decision be amended to include 'subject to the re-formatting of the balance sheet'. The Councillors agreed.

Councillor Kay proposed and Councillor Pearson seconded.

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

RESOLVED To

- Approve the audited statement of accounts for the year ending 31 March 2022; and**
- Subject to the re-formatting of the balance sheet, approve that the Strategic Director of Resources and Chair of the Audit Committee sign the Statement of Accounts and the letter of representation.**

ASC.036 Half Year Treasury Management Report 2022/23

The Principal Accountant introduced the report and explained that there were no proposed changes to the strategy within the report and it was solely focused on the performance areas of Treasury Management. He then proceeded to provide an overview of the report and informed the Committee of the following:

- Page 158 outlined the principal for investments. Priority was given for Security, Liquidity and Yield. They had added a fourth priority for Environmental, Social and Governance (ESG).
- Table 4 outlined the investments and borrowing at the end of quarters 1 and 2.
- The interest rates had risen above the predicted percentage which made it increasingly difficult to predict future costs.
- There had been no external borrowing during the half year.
- There was £2m due to be repaid in February 2023.
- A full economic update had been included on page 167 of the reports pack.

In response to Councillor Kay, it was confirmed that the 1m invested in Thurrock District Council was repaid in full.

The Principal Accountant explained, in response to Councillor Wilsher, that all investments were subject to the first 3 priorities as set out in the Treasury Guidelines. If investments of a similar return were equal on the first 3 principals, then it would fall to the fourth principal for a better ESG rating to decide where to invest. Councillor Wilsher expressed concerns with companies who had questionable ethics but who would have a better ESG rating. The Strategic Director of Resources explained that the Ethical Investment Policy, which came into force from the 1 April 2022, clarified what areas not to invest in.

Councillor Hurst questioned whether the £102m of borrowing was on a fixed term interest rate. The Principal Accountant confirmed that it was.

Councillor Wilsher proposed and Councillor Pearson seconded.

Councillors Pearson and Kay commended the Officers for their report.

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

RESOLVED To accept the Treasury Management half year report.

ASC.037 Internal Audit Progress Report 2022/23

The Group Manager introduced the report and explained that it consisted of finalised outcomes for the period September – October 2022 and confirmed the status of work as at the 31 October 2022. She gave a brief overview of the report:

- 3 summary paragraph outcomes which included 1 acceptable assurance and 2 interim updates on larger activities.
- An update on the Audit Risk Assurance (ARA) Counter Fraud actions for that period.
- Pages 183 – 185 of the reports pack outlined the movement of progress since the previous report (presented to the September Committee).
- 3 additional high priority activities had been added to the Internal Audit Plan during the year. The new activities and in year risk assessment review & update had led to wider audits being considered for deferral, as reflected on pages 183 - 185.

In response to Councillors, the ARA team gave the following answers:

- 100 cases were identified within tranche 1 of the Covid Grants assurance work as having an anomaly. These were all investigated and the results were referred to the Revenues and Benefits Manager. A further review was ongoing within 2022/23 (tranche 2) and would be reported to Committee at the end of the audit year.
- Page 176 highlighted an observation and risk for the Demonstrator Grant project. Due to the timing of the ARA activity, management had confirmed that the

2022/23

recommendations would be actioned for subsequent projects (for example, the 'Wave One' project) to support control improvement.

Councillor Baker Proposed and Councillor Hurst seconded.

Councillor Kay commended the work of the Officers.

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

RESOLVED To

- a) Accept the progress against the Internal Audit Plan 2022-23; and**
- b) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

ASC.038 Corporate Risk Register Update

The Strategic Director of Resources explained that there were very few changes within the report and proceeded to highlight the following key points:

- The scoring of CCR4 had been reviewed at the request of the Committee and was scheduled to be reviewed again in February 2023.
- CCR8 had been reduced due to the result of the triennial valuation which allowed the Councils pension contributions to be frozen at their current level for the next 3 years.
- CCR9 definition had been clarified.

The Strategic director of Resources also informed the Committee that they had completed the procurement of the new Risk Management System, Pentana Risk. He further confirmed that Councillors would have access to the system once it was up and running.

Councillor Baker questioned the low severity of CCR95, the Strategic director of Resources agreed to get this reviewed by the Risk Owner.

In response to Councillor Pearson the Strategic Director of Resources confirmed that the inflation risk was included within the CCR1 risk which covered the general balancing of the account however, he would take the comments on board and review the wording for CCR1.

In response to Councillor Smith, the Strategic director of Resources confirmed that there was an audit planned for later in the year with regard to cyber security. The Group Manager confirmed that piece of work had already begun.

The Chair, Councillor Percy, raised a concern with the CCR1 risk target which suggested a risk appetite. The Strategic director of Resources confirmed that the scoring reflected the income challenges and the risk within that as opposed to creating a risk appetite for a balanced budget which was not the case.

ASC.039 To consider the Work Programme for 22 / 23

The Group Manager informed the Committee of a Risk Based Audit Planning Workshop which would be taking place prior to the next committee and asked all Audit and Standards Committee Councillors to attend. The request was supported by the Committee Chair.

The meeting closed at 8.40 pm

Chair

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE
TUESDAY, 7 FEBRUARY 2023

Report Title	Contract Management Framework Update			
Purpose of Report	To update the Committee on the implementation of the Contract Management Framework.			
Decision(s)	The Committee RESOLVES to: a) Note the progress made to date on embedding the Contract Management Framework across the authority and endorse the plans for its continued development. b) Agree that the Strategic Director of Resources have delegated authority to make minor amendments to the Contract Management Framework.			
Consultation and Feedback	Consultation and training has been provided to the Leadership and Management Team (LMT) and officers who are contract managers.			
Report Author	Sarah Turner, Senior Policy and Governance Officer Email: sarah.turner@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix 1 - Contract Management Policy Appendix 2 - Contract Management Procedure			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	Yes	Yes	No

1. INTRODUCTION / BACKGROUND

- 1.1 The Contract Management Framework was approved by this Committee in February 2022, and it was agreed to provide annual updates on progress with implementation and embedding the framework.
- 1.2 The framework provides a clear and consistent approach to contract management across the authority to manage contracts for goods, works and services.
- 1.3 The framework consists of a suite of documents to assist contract managers to deliver effective contract management. The contract management policy and procedure are attached in the appendices. A list of the framework documents is below:
 - Contract Management Statement of Principles
 - Contract Management Policy
 - Contract Management Procedure
 - Various templates to support the new framework
 - Renewing software contracts guidance
 - Contract Management Plan Template
 - Contract Variation Form Template
 - Contract Extension Form Template

- 1.4 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
- Complying with our obligations under the Social Value Act by using the Social Value Portal for contracts valued over £75,000 where suppliers agree to comply with their selected Themes, Outcomes and Measures to maximise the Council's expenditure on the contract by bringing economic, social and environmental benefits to the district.

2. MAIN POINTS

Training and Implementation of the Framework

- 2.1 The framework has been published on the staff hub and promoted through LMT meetings.
- 2.2 Training on the contract management framework has been provided to services; this involved the Policy and Governance (P&G) team attending services team meetings to raise awareness and provide details of the framework. The P&G team also provide support and training if requested by services, especially if undertaking a procurement exercise for the first time, or it's been a while since they have carried out a procurement exercise.
- 2.3 Details of the contract management framework have been incorporated in the mandatory staff induction training on procurement. Options for training on contract management via our e-learning provider is being investigated.

Strategic Leadership Team (SLT) and Leadership and Management Team (LMT) Dashboards

- 2.4 The P&G Team produce quarterly dashboards for SLT and LMT which includes the following information:
- Procurement and contract information
 - Policies and Strategies
 - Performance management in relation to the Council Plan
 - Risk Registers
 - iGov update – including data breaches and complaints
 - Policies and Strategies register
- 2.5 In relation to procurement and contract information this includes procurement plan forms, spend by cost centre, any exemptions from Contract and Procurement Procedure Rules, contracts awarded over the previous quarter, it also identifies any non-compliance with procedure rules. It also

includes any contracts due for renewal in the next 12 months to enable sufficient options appraisal and planning. Any non-compliance from the LMT dashboards that is not satisfactorily remedied is subsequently reported to the Strategic Leadership Team on the next quarter SLT reports.

Second Line of Defence – Contract Management

- 2.6 As part of an audit report produced by ARA in March 2022 one of the recommendations was for the P&G Team to undertake second line of defence reviews of contracts awarded in the previous quarter. It was agreed with the Strategic Director of Resources that this will include all contracts awarded over a contract value of £75,000 and a minimum of 3 contracts awarded under £75,000 to check that our procedures have been followed correctly. A checklist has been created and the contract manager will be asked to confirm and evidence that the following items on the checklist have been completed.
- Contract details added to the Contract Register
 - Published on Contracts Finder and Find a Tender
 - Signed copy of the contract emailed to the Policy and Governance Team
 - Contract management form completed and emailed to the Policy and Governance Team
 - Retention policy compliance
 - Social Value TOMs identified and monitored (for contracts over £75,000)
- 2.7 Where there are any gaps, the contract manager is asked to rectify, and to confirm, with appropriate evidence that this has been completed, within a set timeframe of 2 weeks.
- 2.8 Where the checklist has not been complied with, nor rectified by the contract manager this is reported to the Head of Service / manager through their quarterly dashboard any non-compliance and request that this is rectified, within a set timeframe. We also ask for confirmation and evidence that this has been done. If in the subsequent quarter, we have not received an adequate response from the Head of Service / manager this is escalated to SLT through their dashboard. If the non-compliance is a matter of urgency the issue will be escalated to the relevant Strategic Director for the matter to be addressed.
- 2.9 The initial review of awarded contracts has taken place for 3 contracts awarded in the 2nd quarter of 2022/23 (June to September). The contracts are supply of beige refuse sacks, dry recycling materials and the innovate to renovate project. All 3 contract managers were contacted and asked to confirm they comply with the checklist listed above, where items had not been completed, they were asked to complete and confirm with the P&G team.
- 2.10 All contracts were compliant with the requirements.
- 2.11 The review of the 3rd quarter has commenced and will include all contracts valued over £75,000 and a minimum of 3 under £75,000. And the process defined will be followed for any non-compliance.

3. CONCLUSION AND NEXT STEPS

- 3.1 The Contract Management Framework standardises our approach to contract management and is still a relatively new framework with associated guidance and a toolkit, although well received there is still more work to be done to fully embed it in all service areas.
- 3.2 The P&G team will continue to promote and embed the CMF and the 2nd line of defence process throughout the authority by the mandatory staff inductions and service area training in person or via e-learning. E-learning modules for both procurement and contract management will be created, adapted to reflect our existing frameworks.
- 3.3 SLT has agreed to the formation of a new Corporate Governance Group that will meet quarterly; the role of this group is to:
- provide strategic oversight of our governance activities,
 - enhance our three lines of defence, and

- demonstrate the Council's commitment to good, strong governance and effective assurance processes.

3.4 The National Procurement Strategy has recently been updated and the Council's Procurement Strategy will be updated to reflect this new national strategy, the themes of the strategy remain the same, but it is our intent to improve our supplier relationship management, including identifying our key suppliers. We will also be carrying out a maturity assessment against the new national strategy.

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

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

4.2 Legal Implications

Contracts must be awarded in accordance with the Councils internal Contract and Procurement Procedure Rules and the Public Contract Regulations 2015 (where applicable).

There are no significant implications identified within the report or the Appendices. Contract Managers should be advised to discuss any variations to their contracts during the term with One Legal. This will ensure that variations comply with internal policies and the Procurement Regulations and will ensure that changes to the contract documents are legally implemented.

One Legal,

Tel: 01684 272224 Email: legalservices@onelegal.org.uk

4.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision. The use of the Social Value Portal and associated themes, outcomes and measures in contracts will provide a method of measuring the impact of our expenditure on contracts in our local area.

4.4 Environmental Implications

There are no significant implications within this category.



Contract Management Policy

January 2022

Policy & Governance

Last updated: New policy

Next document review by: March 2026

Reviewed by: Policy & Governance

Approved by: Audit & Standards Committee

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.

- 1.3 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,
- 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 (excluding 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.

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
- **Stage3 - 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** must be formally appointed.
 - 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 delegate and a formal Deed of Variation completed to reflect the change.

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.

4.7 Contract Disclosures

Appendix A

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

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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,
- number of customers / end-users,
- public visibility,

Appendix B

- 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. 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 1 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?),
- 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:

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- 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 B 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 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 3 details a contract variation template.

14. Contract Extension Procedure

Appendix B

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 4. 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 1 – Reviewing, Renewing or Replacing Software Contracts

Appendix B

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
- Penalties 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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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

7 FEBRUARY 2023

Report Title	TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2023/24
Purpose of Report	<p>This report outlines the Council's prudential indicators for 2023/24 – 2025/26 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 2023/24.</p>
Decision(s)	<p>The Audit and Standards Committee RECOMMEND that Council:</p> <p>a) adopt the prudential indicators and limits for 2023/24 to 2025/26; b) approve the Treasury Management Strategy 2023/24, and the treasury prudential indicators; c) approve the Investment Strategy 2023/24, and the detailed criteria for specified and non-specified investments; and d) approve the MRP Statement 2023/24 e) approve the Ethical Investment Policy</p>
Consultation and Feedback	Link Asset Services (LAS).
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 E-mail: graham.bailey@stroud.gov.uk
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 2023/24 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	A. Investments as at 31 December 2022 B. Explanation of Prudential Indicators C. Economic Background D. Treasury Management Scheme of Delegation E. Ethical Investment Policy F. Liability Benchmark

Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	Yes

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 2023-24.
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 procedures.
 - 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, as well as quarterly reports;
 - a Capital Strategy;
 - reporting on any commercial or service investments. This Council only has Treasury investments which arise from the cash flows of the authority.
 - introduce a new liability benchmark treasury indicator from 2023-24
 - 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.

Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement 2023/24

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 at least 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 2023/24 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 two main areas: **Capital Issues**
 - the capital expenditure plans and the associated prudential indicators;
 - the minimum revenue provision (MRP) policy.

Treasury Management Issues

- treasury indicators which limit treasury risk;
 - 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;
 - 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 2023/24 TO 2025/26

- 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	2021/22 £000 Actual	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate
Community Services	-	237	928	-	-
Environment	4,735	3,964	8,428	5,465	6,365
Housing General Fund	2,460	6,943	345	345	345
Strategy & Resources	2,333	1,710	4,463	-	-
General Fund	9,528	12,854	14,164	5,810	6,710
HRA	14,817	16,389	27,710	17,950	20,099
Total	24,345	29,243	41,874	23,760	26,809

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	2021/22 £000 Actual	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate
General Fund	9,528	12,854	14,164	5,810	6,710
HRA	14,817	16,389	27,710	17,950	20,099
Total	24,345	29,243	41,874	23,760	26,809
Financed by:					
Capital receipts	2,185	2,813	3,664	1,218	660
Capital grants	6,810	10,422	9,205	5,143	6,698
Capital reserves	8,146	10,818	10,134	6,183	8,328
Revenue	458	929	2,946	1,988	5,645
Net GF Financing Need for the year	2,878	2,861	7,519	417	12
Net HRA Financing Need for the year	3,868	1,400	8,406	8,811	5,466
Total Net Financing Need for the year	6,746	4,261	15,925	9,228	5,478

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 CFR projections below that are in line with approved capital budgets:

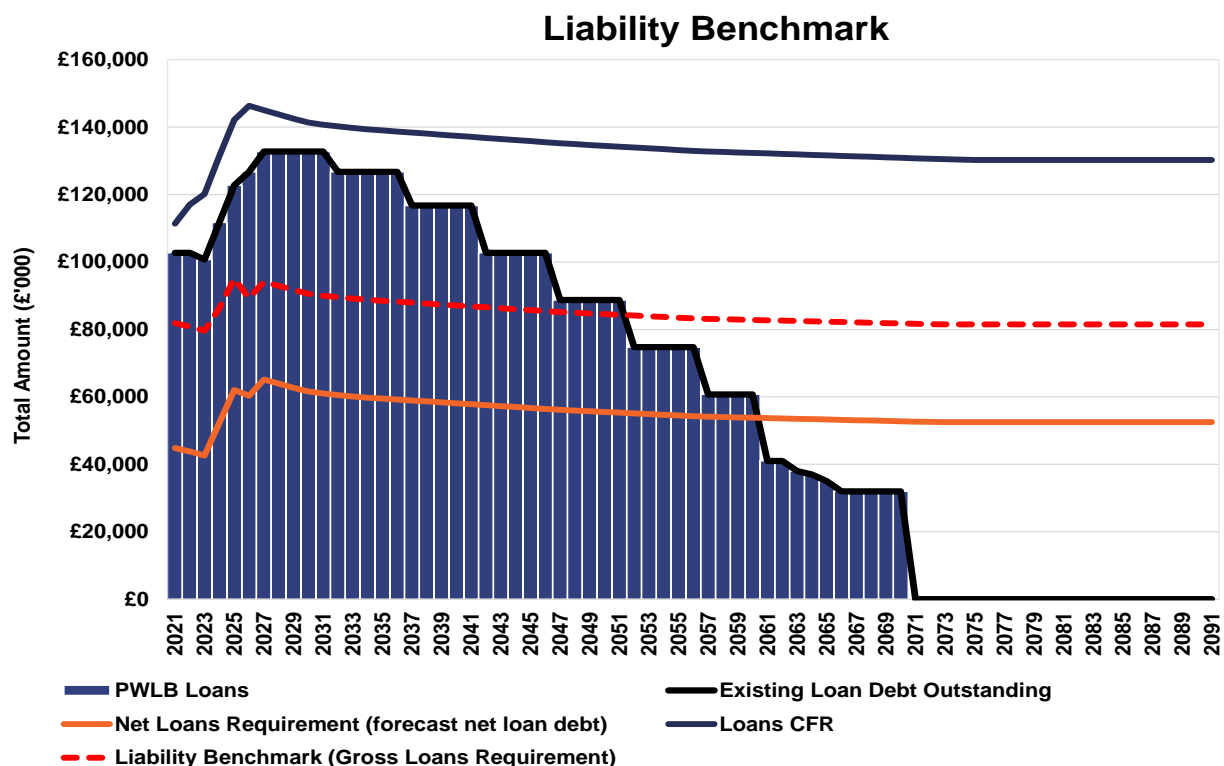
Table 3: The Council's borrowing need (Capital Financing Requirement)

Capital Financing Requirement	2021/22 £000 Actual	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate
CFR - General Fund	17,060	18,768	25,100	24,267	22,999
CFR - HRA	99,996	101,396	109,802	118,613	124,079
Total CFR	117,056	120,164	134,902	142,880	147,078
Movement in CFR	5,726	3,108	14,738	7,978	4,198

Movement in CFR represented by					
Net financing need for the year	6,746	4,261	15,925	9,228	5,478
Less MRP / VRP and other financing movements	-1,020	-1,153	-1,187	-1,250	-1,280
Movement in CFR	5,726	3,108	14,738	7,978	4,198

Liability Benchmark

- 2.6 This is a new prudential indicator for 2023-24 introduced by CIPFA. It is showing the Council's CFR together with the current and future borrowing of the Council and also current cash resources together with forecast cashflows arising from the medium-term financial plan.
- 2.7 The liability benchmark is CIPFA's ideal borrowing position. The benchmark is allowing sufficient liquidity for day to day cash flow, but maximises internal borrowing and so limits counterparty risk. The chart below shows the Council's liability benchmark. The aim is to get the columns of borrowing down to the level of the dotted line.
- 2.8 The benchmark can be split into General Fund and HRA. This is set out at Appendix F.



Minimum Revenue Provision (MRP) Policy Statement 2023/24

- 2.9 The Council's MRP policy statement for 2023/24 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.
- 2.10 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.
- 2.11 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). Since that point the provision for the repayment of debt included within the HRA budget has been transferred on an annual basis to an earmarked reserve for future debt repayment.
- 2.12 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.
- 2.13 In 2024/25 IFRS16 will be 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.

2.14 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. Any changes arising are likely to take effect from 2024/25.

Table 4: Core Funds and Expected Investments

Year end resources	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
Fund balances / reserves	37.548	26.314	24.114	21.586	18.971
Capital receipts	11.347	7.859	4.825	4.242	4.217
Provisions	1.151	0.800	0.800	0.800	0.800
Other	3.139	0.500	0.500	0.500	0.500
Total Core funds	53.185	35.473	30.239	27.128	24.488
Working capital	25.036	2.000	2.000	2.000	2.000
Under (-) / over borrowing	-14.339	-19.447	-23.185	-20.163	-20.361
Expected investments	63.882	18.026	9.054	8.965	6.127

2.15 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

2.16 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

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	1.09%	0.93%	0.58%	0.77%	1.60%
HRA	15.90%	15.10%	14.05%	15.31%	16.35%

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)

	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
External Debt					
Debt at 1 April	102.717	102.717	100.717	111.717	122.717
Expected change in debt	-	-2.000	11.000	11.000	4.000
Other long term liabilities at 1 Apr	-	-	-	-	-
Actual Gross Debt at 31 March	102.717	100.717	111.717	122.717	126.717
Capital Financing Requirement	117.056	120.164	134.902	142.880	147.078
Under / (-) over borrowing	14.339	19.447	23.185	20.163	20.361

Borrowing Strategy

- 3.3 Currently the Council has £102.717m of external borrowing, compared with a Capital Financing Requirement (CFR) of £117.056m. This means that the capital borrowing need (the CFR) is greater than loan debt by £14.339m, which is the level of internal borrowing. The Council will repay £2m of borrowing during the 2022/23 financial year in February 2023.
- 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. This debt cap was removed in 2018.
- 3.5 HRA capital plans now include borrowing totalling £24.083m up to 2025/26. General Fund capital plans include borrowing of £10.809m up to 2025/26. 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 2023/24 there is an estimated internal borrowing position of £23.185m. Internal borrowing has been particularly beneficial because it reduced the financial impact of the differential between borrowing and investment interest rates. This internally borrowed position is projected as continuing through the period to 2025/26. Although, with the MTFP forecasting the running down of balances, and 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 2023/24 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 2025/26.

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	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
Debt	135	144	154	157
Other Long Term Liabilities	-	-	-	-
Total	135	144	154	157

- 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.

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

Table 8: Authorised Limit for External Debt

Authorised Limit	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
Debt	140	149	159	162
Other Long Term Liabilities	-	-	-	-
Total	140	149	159	162

- 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 November 2022.

Table 9: Interest Rate Forecast

Month	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
Dec-22	3.5	4.3	4.7	4.3
Mar-23	4.25	4.3	4.7	4.4
Jun-23	4.5	4.2	4.6	4.3
Sep-23	4.5	4.1	4.5	4.2
Dec-23	4.5	4	4.4	4.1
Mar-24	4	3.9	4.3	4
Jun-24	3.75	3.8	4.1	3.8
Sep-24	3.5	3.6	4	3.7
Dec-24	3.25	3.5	3.9	3.6
Jan-25	3	3.4	3.7	3.4
Mar-25	2.75	3.3	3.6	3.3
Jun-25	2.5	3.2	3.5	3.2
Sep-25	2.5	3.1	3.5	3.2

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.

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 2023/24	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 £69m invested as at 31 December 2022. Improving average returns on the Council's investment portfolio will be a significant factor in improving the Council's financial sustainability. The 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. These investments utilised core cash balances which can be invested for the longer term.
- 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) ESG (Environmental, Social and Governance)

- 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 ethical investment policy will be used in tandem with the principles of Security, Liquidity and Yield. After the the consideration of those three elements investments will not be made unless they satisfy the ethical investment policy. This reinforces that fact environmental, social and governance principles are a fundamental component of this Investment Strategy.
- 4.6 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.
- 4.7 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 £12m, subject to proper due diligence by the Section 151 officer.
- 4.8 Borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 4.9 ‘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	2022/23	2023/24	2024/25	2025/26	2026/27
Investments	£15m	£15m	£12m	£10m	£10m

Specified Investments

- 4.10 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

- 4.11 All investments will be sterling denominated.
- 4.12 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.

- 4.13 There are some important considerations that need to be borne in mind when considering non-specified investment types:
- 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 (extended by a further 2 years to March 2025 in December 2022 following a consultation by DLUHC), 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 2025-26 any balance on the Financial Instrument Adjustment account will be charged to revenue.
 - In addition to the statutory mitigation this Council maintains an investment risk reserve to provide a sum to protect the Council General Fund against future changes in capital values. This sum is reviewed on an annual basis as part of the accounts closedown procedures.
 - 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
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

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

- 4.16 Cash flow forecast requirements and the outlook for short-term interest rates are important factors to consider when making investments. During 2022 base interest rate was 0.25% until 3 February when it increased to 0.5%. It increased on six further occasions ending the year on 3.5%.
- 4.17 In 2023-24 the Council will continue to invest in the specified investment category for varying durations 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 paragraph 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
Progressive Building Society	1,000,000	28/04/2023	3.45%
Lloyds (NRFB)	2,000,000	28/04/2023	4.22%
Toronto Dominion Bank	2,000,000	30/08/2023	4.05%
Landesbank Hessen Thueringen Girozentrale (Helaba)	3,000,000	13/10/2023	5.32%
Landesbank Hessen Thueringen Girozentrale (Helaba)	3,000,000	27/10/2023	4.46%
Bank of Montreal	3,000,000	17/11/2023	4.85%
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

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

- 4.19 Bank Rate is currently forecast to increase to 4.5% by June 2023 and reduce to 2.5% by September 2025.
- 4.20 The Council will layer investments to take advantage of rising rates with appropriately rated banks or UK local authorities and also utilise 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.
- 4.21 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 year end reports that detail investment activity and performance to Audit and Standards Committee and to Council.

Creditworthiness policy

- 4.22 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.
- 4.23 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
- 4.24 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.
- 4.25 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.

- 4.26 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.
- 4.27 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

- 4.28 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

- 4.29 Stroud District Council is directly and indirectly investing an average of over £150m per day throughout the year. As directed by CIPFA Treasury Code there is a 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.
- 4.30 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.
- 4.31 This Council is supportive of the Principles for Responsible Investment (www.unipri.org). ESG is incorporated into investment decisions for example when two potential investments offer the same level of security and return, the investment with the better ESG rating will be selected.
- 4.32 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.
- 4.33 The Ethical Investment Policy is set out in Appendix E .

Country limits

- 4.34 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	Qatar
Germany	USA		UK
Netherlands			
Norway			
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 1st February 2023. On 27th September Bob Swarup of Camdor Global Advisors presented to members the Council's first ESG monitoring report covering the first quarter of financial year 2022/23. He explained the principles underlying the monitoring report and responded to members' questions.

6 IMPLICATIONS

6.1 Financial Implications

The Council has a responsibility to set a Treasury Management Strategy for the effective management of investments and borrowings. The Strategy proposed within is in line with the Medium-Term Financial Plan including estimates of capital expenditure, borrowing costs and targets for income receivable. All specific financial implications are addressed throughout the body of the report.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk

6.2 Legal Implications

There are no specific legal implications arising from the recommendations of this report.

More generally, the Council is required to comply with the relevant guidance, as set out in the report, in respect of its Treasury Management. The Council must also set the budget in accordance with the provisions of the Local Government Finance Act 1992. The provisions

of section 25, Local Government Act 2003 require that, when the Authority is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (s.151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

One Legal

Tel: 01684 272012

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.

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INVESTMENTS AS AT 31 December 2022

Counterparty	£	%	S / NS	Type	Issue	Maturity
NatWest Treasury Reserve	1,990,580	0.72%	S	Call		
Natwest RFB	2,000,000	0.82%	S	CD	14/01/2022	13/01/2023
NatWest/RBS Group Total	3,990,580					
Goldman	15,862	3.05%	S	Call		
Federated Prime Rate	1,533,040	3.10%	S	Call		
Aberdeen	3,984,601	3.17%	S	Call		
Money Market Fund Total	5,533,503					
Santander - 180 day Notice	55	2.25%	S	Notice		
Santander - 95 day Notice	7,999,320	2.78%	S	Notice		
Santander Total	7,999,374					
Svenska call	152	0.80%	S	Call		
Svenska 35 Day Notice	13,000	1.34%	S	Notice		
Svenska Total	13,152					
Lloyds NRFB	2,000,000	4.22%	S	Fixed	28/10/2022	28/04/2023
Lloyds NRFB	2,000,000	2.25%	S	Fixed	11/07/2022	11/01/2023
Lloyds Total	4,000,000					
Barclays FIBCA	526	1.00%	S	Call		
Barclays 95 Day Notice	7,854,789	3.05%	S	Notice		
Barclays Total	7,855,315					
Standard Chartered 95 Day Notice	2,000,000	3.74%	S	Notice		
Standard Chartered	2,000,000	3.70%	S	Fixed	01/12/2022	22/03/2023
Standard Chartered	3,000,000	3.49%	S	Fixed	01/12/2022	15/02/2023
Standard Chartered Total	7,000,000					
Toronto Dominion	3,000,000	1.90%	S	CD	23/03/2021	23/03/2023
Toronto Dominion	2,000,000	4.05%	S	CD	02/09/2022	30/08/2023
Toronto Dominion Total	5,000,000					
Progressive Building Society	1,000,000	2.20%	S	Fixed	12/08/2022	03/01/2023
Building Societies Total	1,000,000					
Bayerische Landesbank	2,000,000	3.38%	S	Fixed	02/11/2022	15/02/2023
Bayerische Landesbank	3,000,000	3.12%	S	Fixed	02/12/2022	11/01/2023
Bayerische Landesbank Total	5,000,000					
National Bank of Canada	3,000,000	3.62%	S	Fixed	07/12/2022	22/03/2023
National Bank of Canada Total	3,000,000					
Bank of Montreal	3,000,000	4.85%	S	CD	18/11/2022	18/11/2023
Bank of Montreal Total	3,000,000					
Landesbank Hessen-Thuringen	3,000,000	5.32%	S	CD	14/10/2022	13/10/2023
Landesbank Hessen-Thuringen	3,000,000	4.46%	S	CD	28/10/2022	27/10/2023
Landesbank Hessen-Thuringen Total	6,000,000					
CCLA	1,000,000		MAF			
Hermes	2,000,000		PF			
Lothbury	4,000,000		PF			
Royal London	3,000,000		MAF			
Total Funds	10,000,000					
TOTAL INVESTMENTS	69,391,925					

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 2025/26.

Ratio of financing costs to net revenue stream – table 5 shows that the General Fund interest on borrowing accounts for between 1.60% and 0.58% of net revenue. In the HRA interest on net borrowing now accounts for between 16.35% and 14.05% 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 £117.056m. As the Council has borrowing of £102.717m the balance sheet shows there is currently under borrowing of £14.339m, which is projected to increase to £19.447m by 31 March 2023.

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

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

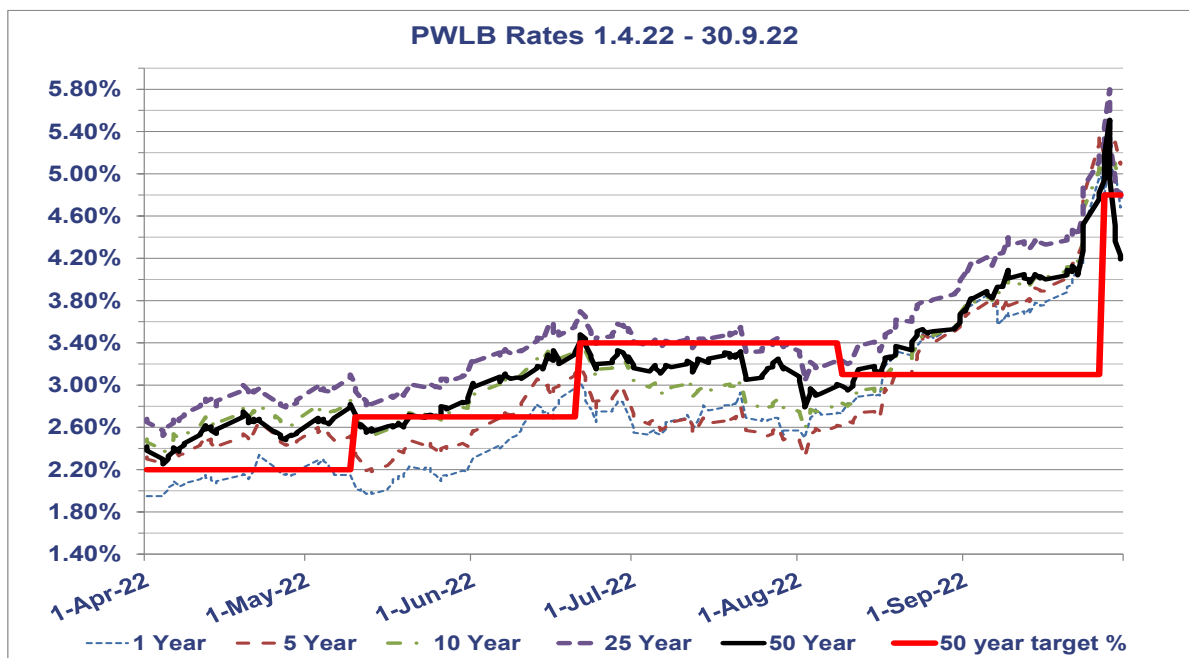
Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but

Appendix C

with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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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 members are adequately informed and understand the risk exposures taken on by the Authority
- 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. ESG is incorporated into the decision making process by making ESG the fourth factor to consider after security, liquidity and yield. For example, if for a potential investment two counterparties are offering the same security and the same yield then the investment chosen will be the counterparty with the better ESG rating.

In future, the Council will seek to work with others to lobby for a Creditworthiness system that incorporates analysis of ESG factors into the scoring system. The Council has a contract with Camdor Global Advisers who in collaboration with CIPFA have developed an ESG rating system. They provide quarterly analysis of the Council's direct investment portfolio, which enables ESG to be a factor in the investment decision-making process. Quarterly ESG monitoring reports are circulated to Audit and Standards Committee members.

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.

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.

Appendix E

Pension Fund Investments

As at 31/03/2022 the Council's pension fund had investments of £123m. The Council's fund is part of the £3.1bn Gloucestershire Pension Fund, which makes up part of the £35bn Brunel Pension Partnership. The council will keep under review the [Gloucestershire Pension Fund 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.

Ethical Investment Policy Review

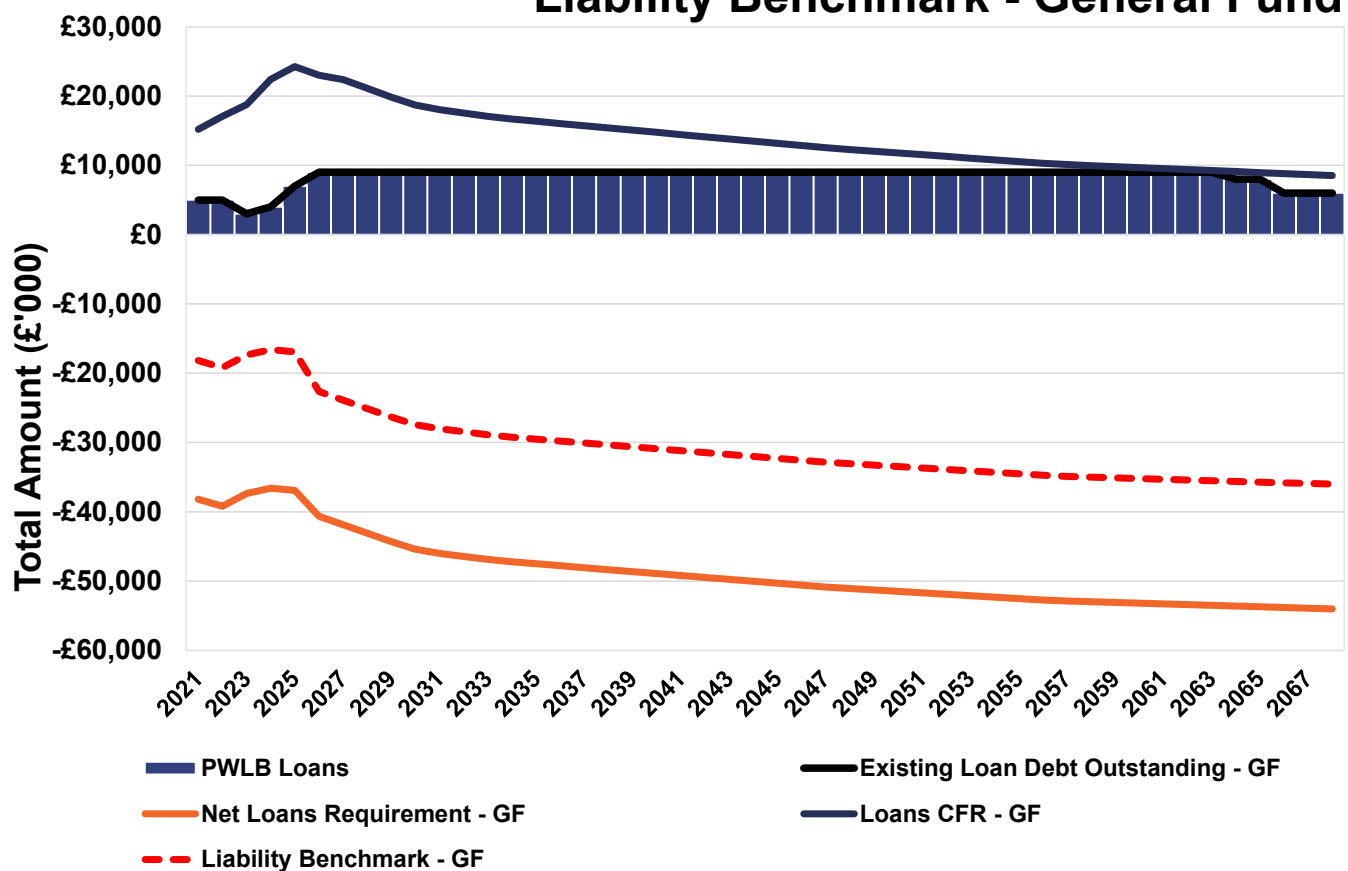
The Ethical Policy will be subject to annual review.

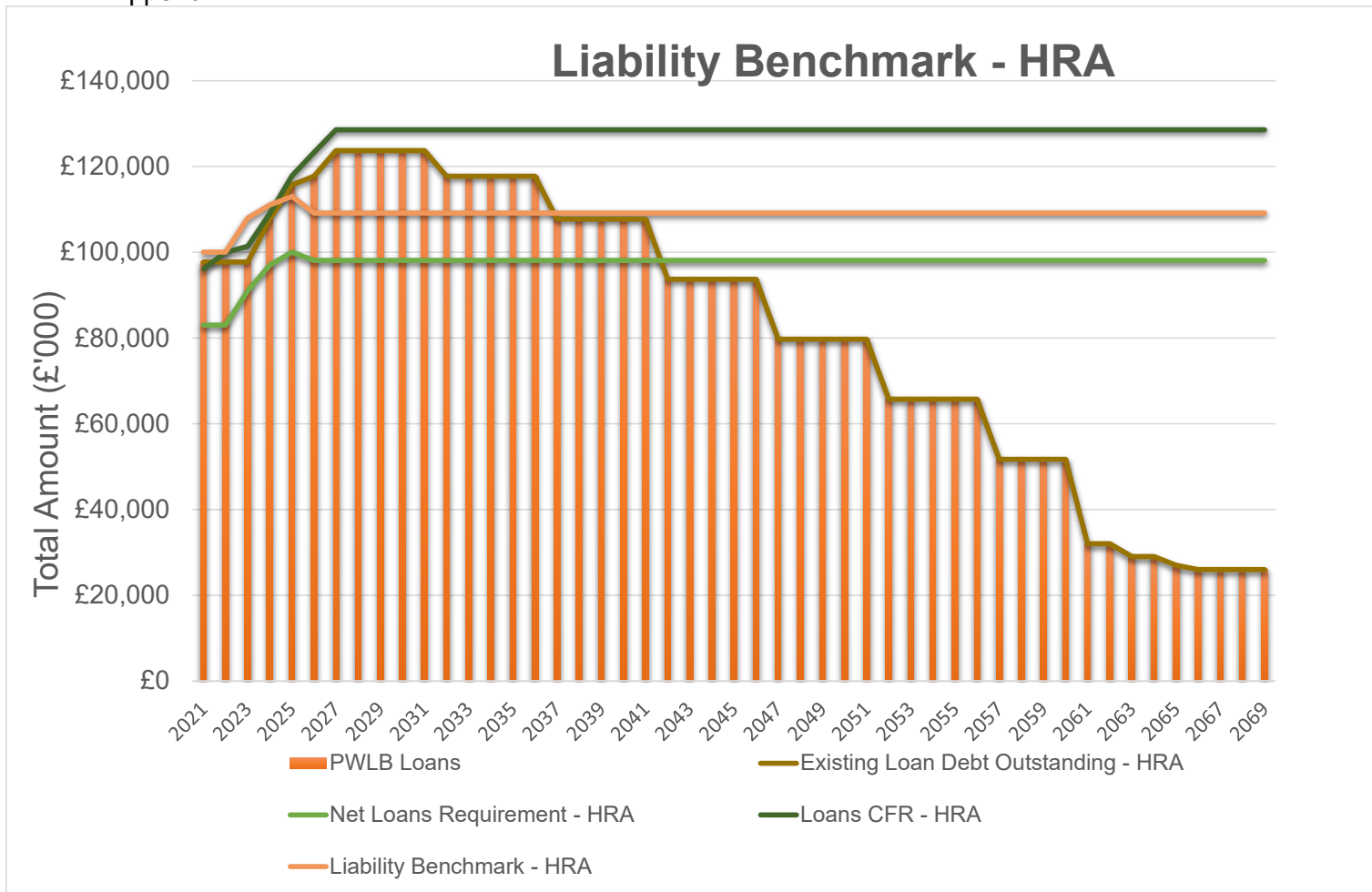
LIABILITY BENCHMARK

CIPFA have adopted the liability benchmark as a prudential indicator. A liability benchmark advocates a net book management approach to treasury management, where borrowing and investments are netted down while maintaining appropriate investments for liquidity purposes. CIPFA views this as reducing the treasury risks associated with running debt and investment portfolios at the same time. They believe that 'refinancing risk, interest rate risk and credit risk can be minimised or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark.

As the Council has a General Fund and a Housing Revenue Account and the accounting regulations are different for each of them it is more informative to show the liability benchmark separately for each.

Liability Benchmark - General Fund





STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

7 FEBRUARY 2023

Report Title	ANNUAL GOVERNANCE STATEMENT 2021-22 IMPROVEMENT PLAN – PROGRESS REPORT			
Purpose of Report	To provide assurance to the Audit and Standards Committee (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 review and consider the actions taken to address the governance improvement areas identified.			
Consultation and Feedback	Senior Leadership Team, Monitoring Officer and Section 151 Officer with regards to the Annual Governance Statement 2021-22.			
Report Author	Piyush Fatania, Head of Audit Risk Assurance (ARA) 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 2021-22 Improvement Plan – Progress Report			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1.0 INTRODUCTION AND 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’. This is to report publicly on the extent to which the Council complies with its own Local Code of Corporate Governance. The approach includes how the Council has monitored the effectiveness of its arrangements in year and on any planned changes to governance arrangements in the coming year.
- 1.2 The Annual Governance Statement is signed by the Leader and Chief Executive (Head of Paid Service) and must accompany the Annual Statement of Accounts.
- 1.3 Members approved the Council’s Annual Governance Statement 2021-22 (including the Improvement Plan) at the [July 2022 Committee](#) meeting.

2.0 MAIN POINTS

- 2.1 This report updates Members on the Council's progress against agreed actions from the Annual Governance Statement 2021-22 Improvement Plan.

3.0 CONCLUSION

- 3.1 The Council is required to produce an Annual Governance Statement under the Accounts and Audit Regulations 2015. Through the [Council's Constitution](#), the Committee has responsibility for review and approval of the Statement (including relevant Improvement Plans).
- 3.2 The Council's Annual Governance Statement 2022-23 is due to be presented to Audit and Standards Committee in July 2023. The report will include a confirmed final position against the Annual Governance Statement 2021-22 Improvement Plan.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Lucy Clothier

Email: lucy.clothier@stroud.gov.uk

Risk Assessment:

Failure to deliver an effective corporate governance framework prevents the Council in directing and controlling its resources effectively and efficiently, to enable the Council's objectives to be met.

4.2 Legal Implications

There are no legal implications arising from the recommendation made in this report.

Contact: One Legal

Email: legalservices@onelegal.org.uk

4.3 Equality Implications

There are no equality implications as a result of the recommendation made within this report.

4.4 Environmental Implications

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



ANNUAL GOVERNANCE STATEMENT 2021-22 PROGRESS REPORT – FEBRUARY 2023

Appendix A

1. Background

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to publish an Annual Governance Statement (AGS). This is to demonstrate the extent to which it complies with its Local Code of Corporate Governance. The AGS also demonstrates how the Council has monitored the effectiveness of its arrangements in year and on any planned changes to governance arrangements in the coming year.
- 1.2 The AGS is signed by the Leader and the Chief Executive (Head of Paid Service) and must accompany the Council's Annual Statement of Accounts.
- 1.3 The AGS for 2021-22 was presented to, and approved by, the Audit and Standards Committee (the Committee) at its meeting on the 19th of July 2022.
- 1.4 This progress report highlights to the Committee the actions that have been undertaken by management to address the issues identified in the AGS for 2021-22 as requiring attention.

Governance matter identified	Position as at February 2023	Lead Officer and Target Date
LGA Peer Review March 2022 The report from the Peer Review team was positive regarding the Council's progress since 2019, and made recommendations for further improvements. ARA can assist to implement the recommendations as required.	The LGA carried out a follow up visit in 2022 and a final visit in January 2023.	Strategic Director of Resources – ongoing.
Procurement – Non-compliance with Internal Regulations Management implemented the actions during 2022.	The 2022-23 Internal Audit Plan includes a follow up audit which will be reported to the Committee in due course.	Strategic Director of Resources – April 2023.
Financial Resilience Financial resilience will need to be monitored closely, given the challenges posed by inflation and utility price volatility.	The Council continues to effectively manage its finances in spite of significant inflationary pressures and a balanced budget is anticipated for 2023-24. The risk of the Council issuing a Section 114 notice is low.	Strategic Director of Resources – ongoing.

Governance matter identified	Position as at February 2023	Lead Officer and Target Date
<p>Risk Management</p> <p>A review of risk management was undertaken during 2021-22 by TIAA.</p> <p>This found that there were opportunities for the Council improve its management of risk.</p> <p>Audit Risk Assurance (ARA) will look to collaborate with the Council to improve risk management.</p>	<p>A follow up of the Risk Management audit will be undertaken in 2023-24 and reported to the Committee.</p>	<p>Strategic Director of Resources – July 2023.</p>
<p>Hybrid working</p> <p>The Council has implemented hybrid working in 2022-23.</p> <p>The Council will monitor the performance of staff working remotely.</p>	<p>The Council continues to deliver services with staff working in a hybrid manner.</p> <p>Management monitor staff performance and service delivery on a continuous basis. In 2023 there will be the launch of a new performance management process for staff. There will also be a new performance management software system for the reporting of service performance.</p>	<p>Strategic Director of Resources</p>
<p>Planning Enforcement</p> <p>At the request of Members, ARA undertook an audit of Planning Enforcement, which highlighted a number of areas for improvement.</p>	<p>ARA will undertake follow up work and report progress on implementation to the ASC in 2023-24.</p>	<p>Strategic Director of Resources – 2023-24.</p>
<p>Cyber Security and Business Continuity</p> <p>The threat of a cyber-attack on the Council is deemed an area of significant risk. Focus should continue to be placed on ensuring that the Council remains vigilant to these types of attack, and has effective defence and recovery arrangements in place.</p> <p>Planned in-year Internal Audit activities should assist management to verify the adequacy and operating effectiveness of the current arrangements.</p>	<p>The Council continues to effectively manage its cyber estate.</p> <p>ARA have appointed a Principal Auditor ICT and Data Analytics who will continue to undertake appropriate audit work in this area.</p>	<p>Strategic Director of Resources – ongoing.</p>

Appendix A

Governance matter identified	Position as at February 2023	Lead Officer and Target Date
<p>Housing Voids</p> <p>A review of Voids was undertaken during 2021-22. This found that there were opportunities for the Council to improve its performance concerning the management of void properties.</p>	<p>ARA will undertake follow up work and report progress on implementation of the recommendations to the Committee in due course.</p>	<p>Strategic Director of Resources – April 2023.</p>
<p>“Fit for the Future” Modernisation Programme</p> <p>The Council is driving forward with its modernisation programme “Fit for the Future.” Planned in-year ARA work will assist management in ensuring that there is an adequate governance framework for the delivery of the programme, and that this is operating as intended.</p>	<p>The 2022-23 Internal Audit Plan includes work on this which will be reported to the Committee in due course.</p>	<p>Strategic Director of Resources</p>
<p>Leisure Facilities-Local Authority Trading Company</p> <p>The Council is working towards setting up a Local Authority Trading Company for the provision of Leisure Services. ARA will assist management through the provision of risk and control advice, as part of the program for introducing the Local Authority Trading Company.</p>	<p>ARA will submit a bid to become the Internal Auditors for the traded company.</p>	<p>Strategic Director of Resources – April 2023.</p>
<p>Contract Management Framework</p> <p>The Council has recently adopted a new Contract Management Framework. Planned in-year ARA work will assist management in determining the effectiveness of the roll out of the new arrangements.</p>	<p>Work on this audit is planned to commence in January 2023</p>	<p>Strategic Director of Resources</p>

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 7 FEBRUARY 2023

Report Title	Unified Code of Conduct			
Purpose of Report	This report sets out the proposed Member Code of Conduct			
Decision(s)	The Committee RECOMMENDS TO COUNCIL to adopt the unified code of conduct			
Consultation and Feedback	<p>The unified code of conduct was considered by the constitution working on 28 September 2022 who approved it for consultation with members and town and parish councils.</p> <p>The unified code was send out to all members and town and parish councils for consultation during the period 4 November – 16 December.</p> <p>A total of 16 town/parish councils responded to the consultation and with the exception of one all were supportive of the move to a unified code.</p>			
Report Author	Claire Hughes, Monitoring Officer Email: claire.hughes@stroud.gov.uk			
Options	The committee could resolve not to recommend that Council adopt the unified code.			
Background Papers	Report to the constitution working group 28 September 2022			
Appendices	Appendix A – proposed unified Code of Conduct			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	Yes	No	No

1. INTRODUCTION / BACKGROUND

- 1.1 The group of Monitoring Officers for the Gloucestershire Councils have been involved in discussing and drafting a proposed Member Code of Conduct taking into account the LGA model and their experiences of operating the present Codes in the individual Councils. The Code is now at a stage where Councils have been actively consulting upon it and are moving towards adoption
- 1.2 The group believe that there are a number of benefits of having a unified code, including the fact that those members who sit on more than one Council will have one consistent set of rules.
- 1.3 Whilst the group acknowledge that parish councils are under no obligation to adopt the common Gloucestershire Code, they were supported in its development by Gloucestershire Association of Parish and Town Councils (GAPTC). GAPTC is extremely supportive of parish councils adopting the unified Code as they believe it will enable them to provide better advice, support and training. The Code has also been the subject of consultation with town and parish councils.

- 1.4 While the style and layout of the Code is different to the Local Government Association (LGA) model code, the content is fully consistent with it. This ensures that the Authority can still benefit from the training that the LGA offers on Code of Conduct issues.

2. CONSULTATION

- 2.1 The Code was considered by the Constitution Working Group on 28 September 2022 who approved it for consultation with members and town and parish councils.
- 2.2 The proposed Code was subject to a period of consultation with all members and town and parish councils between 4 November 2022 and 16 December 2022.
- 2.3 A total of 16 town/parish councils responded to the consultation. With the exception of one all supported the approach of moving to a unified Code.
- 2.4 If the Code is adopted by the district council, then further engagement with town/parish councils will be undertaken. Ultimately, it will be a matter for the town/parish councils to determine whether they adopt the unified Code of Conduct.
- 2.5 There were no specific concerns raised by members.

3. CONCLUSION

- 3.1 Moving towards a unified Code of Conduct will provide greater transparency for the public and will ensure that councillors at all tiers within Gloucestershire have one clear set of rules to abide by. Therefore, the Audit and Standards Committee are asked to recommend the approval of the Code to Council.

4. IMPLICATIONS

4.1 Financial Implications

There are no direct financial implications arising from the recommendations.

Andrew Cummings, Strategic Director of Resources

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

4.2 Legal Implications

The principal statutory provisions relating to standards of conduct for Members are contained in the Localism Act 2011. Section 27(1) of the 2011 Act provides that the Authority must promote and maintain high standards of conduct by Members and Co-opted members of the authority. Section 27 and 28 of the Act require the Authority to adopt a Code of Conduct.

One Legal,

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

4.3 Equality Implications

There are no direct equality implications arising from this report.

4.4 Environmental Implications

There are no environmental implications arising from this report.



AUDIT & STANDARDS COMMITTEE

OFFICER REPORT

STRATEGIC RISK REGISTER BRIEF REPORT:

Introduction

This paper provides summary information on the key changes which have been made to the Strategic Risk Register since the last meeting of the Audit and Standards Committee

Risks which have changed

Risks CCR18 and CCR 92 have been reviewed with no changes to scoring.

Risk CCR4, previously Business Continuity and Emergency Planning, has been reclassified into Emergency Planning only, with BC now having it's own separate risk (CCR9). As a result of the reassessment of the risk the scoring has been revised from a current risk score of 6 to a score of 9.

Review section has been updated to show the following text.

A new Emergency Planning officer has been appointed as has a new head of Community Services. An action plan has been developed setting out a detailed plan for bringing the council up to date with the legal requirements and work to deliver against this plan has commenced. An on-call gold rota has been established and work to set up an on call silver rota is underway.

Newly added risks

CCR97: Failure to deliver the canal project on time and/or to budget

Current Risk Score: 4 Risk Target: 2

Added to the risk register to reflect the significance of the project to the Council and the recent decision by the Council to invest additional funds in the completion.

CCR98: Failure of SDC to play its full part in delivering the ambitions set out in the 2030 strategy, to tackle the climate and ecological emergency and to do all in our power to become a carbon neutral district by 2030

Current Risk Score: 3 Risk Target: 1

Added to the corporate risk register to reflect the integral link between the 2030 Strategy and the Council Plan.



AUDIT & STANDARDS COMMITTEE

OFFICER REPORT

CCR99: Business Continuity

Current Risk Score: 9 Risk Target: 3

As discussed above, separated from existing risk CCR 4.

A complete review of business continuity is being undertaken. A new template has been developed and managers will be required to complete these throughout Feb and March. Completion of the plans will enable the council to create and test a comprehensive corporate recovery plan.

Deleted Risks

None

REPORT SUBMITTED BY	Andrew Cummings
DATE	30/01/2023

Report On: Risks
Filter By: CDP

Risks (14)

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review
CCR1	Failure to develop a balanced budget managing Council Priorities within available funding	2	3	6	B2	<div>1. Develop a series of savings proposals and income generation opportunities to meet the targets in the MTFP</div> <div>2. Continue to explore the development of appropriate partnerships and efficient joint ventures</div> <div>3. Potential to increase income through measures such as: Council Tax and fees and charges</div> <div>4. Establish and implement a public consultation strategy</div> <div>5. Ensure Treasury Management and Capital Strategies are aligned with targets in the MTFP</div> <div>6. Use budget monitoring to ensure that budgetary control is maintained and income targets are monitored</div>	6	28/02/2023
						Andrew Cummings		
						Kathy O'Leary		
						Andrew Cummings		
						Andrew Cummings		
						Andrew Cummings		
						Andrew Cummings		

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review	
CCR2	Information Governance Compliance - The loss of control of data processed by the council	2	4	8	B1	Develop consistent Data Sharing practices and agreements	Owen Chandler	4	13/03/2023
						Develop Information Governance Champions	Owen Chandler		
						Improved insight of iGov function through improved reporting and recording of service usage, trends and feedback.	Owen Chandler		
						Improved retention policy compliance	Owen Chandler		
						Improved use of automation in council retention	Owen Chandler		
						Up to date and accessible Training & Guidance	Owen Chandler		
CCR4	Emergency planning	3	3	9	A3	1. Council to identify priorities, and required resources, as part of the MTFP process	Andrew Cummings	3	01/05/2023
						2. Ensure ICT hardware and software maintained at appropriate levels	Sean Ditchburn		
						3. Individual service continuity plans fit for purpose and adhered to	Keith Gerrard		
						4. Workforce plan to secure expertise to avoid service failures	Lucy Powell		
						5. Ensure data backup system fit for purpose	Adrian Blick		
						6. Adequate resources on hand to respond to emergencies - To include Strategic, Tactical and Operational Response	Andrew Cummings		
						7. Communication strategy to keep stakeholders informed of service availability	Sean Ditchburn		

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review
CCR8	The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision.	1	2	2	C2	<div>1. Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions</div> <div>2. Ensure MTFP accurately reflects contribution likely to be required based upon current funding levels and future projections</div> <div>3. Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund</div>	2	30/11/2023
CCR9	Statutory changes to waste legislation could mandate waste collection alterations.	3	2	6	B2	<div>1. Monitor and manage new garden waste customer requests to maximise revenue from the service.</div> <div>2. Effective management of UBICO contract.</div> <div>3. Maximise effective use of existing resources.</div> <div>4. Keeping up to date with emerging legislative changes and good practice.</div>	2	24/04/2023

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review
CCR10	Difficulty in recruiting and retaining staff with the right skills, values and behaviours	3	2	6	B2	<div>1. Adopt policies which promote staff development and retention, in line with the SDC people Strategy</div> <div>2. Adoption and implementation of efficient and professional recruitment policies and practices</div> <div>3. Purchase and implement HR software with effective recruitment modules</div> <div>4. Where appropriate developing partnership arrangements with other public sector partners to share risk and build capacity</div> <div>5. Transfer risk through outsourcing if appropriate</div> <div>6. Review benefit package for staff, including financial and non-financial rewards measure</div>	2	21/02/2023
CCR18	The loss of income from recycling/incentive credits and the potential for increased costs of recycle processing.	2	3	6	B2	<div>Effective management of the UBICO contract</div> <div>Keeping up to date with emerging legislative changes and good practice.</div> <div>MRF Contract - the value of recycles 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</div> <div>To keep lines of communication open with the County Council to maximise the lead in time for any changes to payment received</div>	3	20/02/2023

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer			Target	Date For Review
CCR20	Government white paper on levelling up results in changes to local government structure or funding	4	2	8	B1	Active engagement with Gloucestershire County Council as they work towards their proposal for a County Deal	Kathy O'Leary		3	24/07/2023
						Assess impact of White Paper and work with neighbouring authorities	Kathy O'Leary			
						Medium Term Financial Planning process to include financial implications of levelling as they become known	Andrew Cummings			
CCR92	High levels of inflation impacting upon Council budgets and Service Delivery	4	3	12	A2	Capital Budgets must include sufficient contingency to allow for inflation and this should be incorporated within the Budget Strategy.	Andrew Cummings		4	30/09/2023
						Effective procurement of energy contracts	Alison Fisk			
						HR Policies and Advertising should include details of the wider benefits of working for SDC	Lucy Powell			
						Proactive measures to reduce energy consumption	Alison Fisk			
						The Budget Strategy and Medium Term Financial Plan should include a medium term analysis of the level of inflation. This will incorporate wage inflation, contract inflation and inflation within the capital programme.	Andrew Cummings			
						Appropriate levels of increase on fees and charges as well as rents and Council Tax (within statutory limits) must also be incorporated.				

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review
CCR93	Low of levels of staff wellbeing and mental health	3	2	6	B2	<p>A comprehensive set of employee support tools which are also open to elected members. This is to include mental health first aiders and counselling services.</p> <p>Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate</p> <p>An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly.</p> <p>Creation and promotion of a set of Corporate Values and Behaviours to reflect the culture that we desire at SDC</p> <p>Introduction of wellbeing champions to engage with staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing</p> <p>Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire</p> <p>Member development group to consider development need of Councillors</p>	1	31/03/2023

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer		Target	Date For Review
CCR95	Successful cyber attack on the Council	3	3	9	A3	1. Education of SDC network users	Adrian Blick	6	21/02/2023
						2. Protecting SDC from penetration	Adrian Blick		
						3. Reducing the extent of lateral movement across the SDC IT estate should a hack occur	Adrian Blick		
						4. Purchase cyber insurance to partially cover costs of any successful cyber breach	Adrian Blick		
CCR96	Failure to deliver the canal project on time and/or to budget	3	3	9	A3			4	28/02/2023
CCR97	Failure to deliver the canal project on time and/or to budget	2	2	4	B3	Agreeing extensions of time for project completion with NLHF and project partners as required, in light of delays caused by Covid-19, cost inflation and other external factors outside local control.	Chris Mitford-Slade	2	28/02/2023
						All project partners and NLHF kept closely informed and ready to act in the event that any of the identified triggers materialise	Chris Mitford-Slade		
						Close monitoring at Project Team and Board level of all expenditure and forecast costs to completion	Chris Mitford-Slade		
						Continued effort to secure required consents and land (or options to secure land).	Chris Mitford-Slade		
						Seeking additional funding from partners and through NLHF and fund-raising, for any identified funding gaps	Chris Mitford-Slade		

Appendix A

Code	Risk Description	Probability	Severity	Score	Alphanumeric Rating	Risk Controls with RAG Status & Control Lead Officer	Target	Date For Review
CCR98	Failure of SDC to play its full part in delivering the ambitions set out in the 2030 strategy, to tackle the climate and ecological emergency and to do all in our power to become a carbon neutral district by 2030	1	3	3	C1	<div>Effective community and partnership governance in place to drive 2030 strategy ambitions, including a community engagement board at district level and Climate Leadership Gloucestershire at county level</div> <div>Effective co-ordination of SDC's own actions as a leader by example to tackle the climate and ecological emergency</div> <div>Effective monitoring and public scrutiny and reporting of progress towards 2030 ambitions</div> <div>Monitoring to highlight areas where further/priority action needs to be taken</div>	1	28/02/2023

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

7 FEBRUARY 2023

WORK PROGRAMME

Meeting Date	Report Description	Responsible Officer / Member
18 April 2023	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Counter Fraud Unit Update and Annual RIPA/IPA Update	Head of Service, (CFEU)
	Review of the Risk Management Policy Statement & Strategy	Senior Policy and Governance Officer
	Chair's Report	Chair
	Treasury Management Q3 Report	Principal Accountant
	External Audit Arrangements	Strategic Director of Resources
	Standing Items: a. Corporate Risk Register Update b. To consider the work programme	Strategic Director of Resources Democratic Services

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

7 FEBRUARY 2023

Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2022-23			
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2022-23.			
Decision(s)	The Committee resolves to: a) Accept the progress against the Internal Audit Plan 2022-23; and b) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).			
Consultation and Feedback	Internal Audit findings are discussed with Service Heads and Managers. Management responses to recommendations are included in each assignment report.			
Report Author	Piyush Fatania, Head of Audit Risk Assurance (ARA) 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 2022-23 Appendix B – Exempt			
Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1.0 INTRODUCTION/BACKGROUND

- 1.1 Members agreed the Stroud District Council [Internal Audit Plan 2022-23](#) on 26th April 2022.
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report details the outcomes of Internal Audit work carried out in accordance with the agreed Plan.

2.0 MAIN POINTS

- 2.1 The Internal Audit Activity Progress Report 2022-23 at **Appendix A** summarises:
- i. The progress against the Internal Audit Plan 2022-23;

- ii. The outcomes of the 2022-23 Internal Audit activity delivered up to mid-January 2023; and
 - iii. Special investigations and counter fraud activity.
- 2.2 This is the third report in relation to the Internal Audit Plan 2022-23.

3.0 CONCLUSION

- 3.1 The report purpose 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](#).

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources
Email: andrew.cummings@stroud.gov.uk

Risk Assessment:
Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

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.

Contact: One Legal
Email: legalservices@onelegal.org.uk
Tel: 01684 272691

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 arising from the recommendations made within this report.



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

FEBRUARY 2023

1. Introduction

Audit and Standards Committee
7 February 2023

Agenda Item 12

Appendix A

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Standards Committee. This report summarises:
 - i. The progress against the Internal Audit Plan 2022-23;
 - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to mid-January 2023; and
 - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2. Summary of 2022-23 Internal Audit work delivered up to mid-January 2023

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
 - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.2 **Audit Activity: Innovate to Renovate Grant Certification (Service Area: Place)**

- i. Assurance Level for this report: An assurance level was not required for this activity; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	2
Low Priority:	0
Rejected:	0

2.3 **Scope** - This audit reviewed the procedures and controls to ensure compliance with the terms and conditions of the Grant Offer Letter (GOL) for the Innovate to Renovate project.

2.4 The aim of the project is to improve the capacity for delivering on Domestic Energy Service needs and retrofit projects (insulation) across Gloucestershire. The Council is the Host Partner for a consortium of Gloucestershire councils awarded this funding from the West of England Combined Authority and Local Enterprise Partnership (WECA). As Host Partner, the Council is the Grant Recipient and manages delivery against the project.

2.4 **Key Findings**

- i. Internal Audit has gained appropriate assurance that the conditions of the GOL have been met. The declaration was signed by the Section 151 Officer and the Internal Auditor's Report submitted to WECA in support of the claims. The Council has received the full amount claimed of £175,000. The consortium contributed £40,000 of match-funding bringing the total for the project to £215,000;
- ii. There were delays to the Council's performance on all dates as set out in the GOL. More time was needed to prepare before approaching the niche market due to the pioneering nature of the project. A large proportion of the project was recruitment focused and this added delays, as expected in the current employment climate;
- iii. Throughout the project, WECA had been informally agreeing to the Council's proposed changes regarding delays and eligible spend. Internal Audit highlighted that this did not conform to the requirements within the GOL and supported the Council in successfully pursuing the necessary evidence to substantiate WECA's approval. This work combined with the wider delays meant that disproportionately more Internal Audit resource was needed to achieve the grant certification than is standard. In some instances, the Council, however had already accrued expenditure whilst relying upon the earlier informal agreement;
- iv. The Council has already committed to developing corporate guidance to support officers in the management of grant funded projects. Based on the learning from this review, Internal Audit has made one medium priority recommendation to further aid the development of the guidance;

Risk: Financial loss due to expenditure not being in accordance with the terms and conditions of the GOL;

Recommendations: Corporate guidance for grant-funded projects should include:

- a. The roles and responsibilities of officers, including Internal Audit;
- b. Officers should engage with Internal Audit early within the project life cycle. This will enable discussions on the expected internal control environment and the timeline and documentation required to substantiate that the grant terms and conditions have been met;
- c. Supporting documentation should be collated and presented as an evidence pack to Internal Audit prior to commencement of the certification work;
- d. Projects should be delivered according to the GOL (or similar); and
- e. Officers should pay particular attention to the clauses within the GOL defining:
 - eligible expenditure;
 - documentation that should be provided to the grant funding body throughout the project and at the point of submission; and
 - managing changes to the terms and conditions of the GOL. Target date: December 2022.
- v. Internal Audit examined the recruitment and procurement process. The Contract and Procurement Procedure Rules were complied with throughout. The Council's recruitment process was followed by the Officers delivering the project. However, the Head of Service or Director did not sign the Authority to Fill (ATF) forms. Instead, approval was given via email. Human Resources (HR) accept approval from Head of Service, Directors, and the Strategic Leadership Team (SLT) via other communication methods such as email or Microsoft Teams message. HR do not hold completed ATF forms centrally in one location;

Risk: There is an inconsistent audit trail for the authorisation of ATF forms and evidence of approval may be lost;

Recommendation: The ATF form should be signed by each approver required. If SLT approval is needed, this must be recorded on the ATF form with the evidence attached. HR to store the completed ATF form and associated documentation in one central location. Target date: November 2022.

3. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

- 3.1 To date in 2022-23 there have been no new irregularities referred to the ARA Counter Fraud Team (CFT).
- 3.2 The CFT is currently working on a number of projects including:
- i. Writing an Enforcement Policy: The draft document has been issued for SLT feedback. Policy to be finalised by year end;
 - ii. Delivering Enforcement training sessions: The first tranche of training has been delivered and received favourable feedback. A second tranche of training dates has also been offered to services; and
 - iii. Updating the Council's Counter Fraud and associated information available on the intranet and webpages.

Previous years' referrals closed case

- 3.3 The CFT continued to work on the remaining one Covid 19 Grant related case. The outcomes will be reported to the Audit and Standards Committee on the case's conclusion.

National Fraud Initiative (NFI)

- 3.4 Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The window for 2022-23 exercise data uploads has now closed. It is anticipated that the data matching reports will be released for review from January 2023 onwards.
- 3.5 All uploads were successfully actioned within the set deadlines with the exception of the payroll data.
- 3.6 In 2022 the Council's payroll system was replaced. Unfortunately, because of the system change, staff were unable to produce an NFI upload report in the correct format. A consultant has been engaged to rectify the issue. Once complete, the NFI data will be uploaded. The Council have kept the Cabinet Office up to date with the payroll system position at all stages. The Cabinet Office has however informed the Council that they are considering issuing a £125 fine for failing to provide the NFI data by the deadline. The Council has submitted information to the Cabinet Office for their consideration as part of the decision-making process. It is hoped that this information will help to mitigate against a fine being issued.
- 3.7 The full NFI timetable can be found using the link available on GOV.UK – www.gov.uk/government/publications/national-fraud-initiative-timetables
- 3.8 Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market traders or operators, taxi drivers and personal licences to supply alcohol.

Appendix A

- 3.9 Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

Proud of Stroud

- 3.10 At the start of December 2022, the CFT delivered two short presentations at the Proud of Stroud meetings. The presentations were entitled 'Twelve Fraud Risks of Christmas' and provided counter fraud advice at a strategic, service and officer level. The presentations were well received. Links to the presentation are available on The Hub.

National Anti-Fraud Network (NAFN)

- 3.11 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of, its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- 3.12 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.13 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

Stroud District Council 2022-23 Internal Audit Progress Report - February 2023

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
Completion of 2021-22 Work									
1		1	Communities	Anti-social Behaviour Management	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
2		1 and 2	Communities	Electrical Works Contract – Follow-Up	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
3		1	Resources	Brimscombe Port – Annual Report	Assurance	Medium	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
4		1	Resources	Change Management Process	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
5		1	Resources	Creditors – Follow-Up	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
6		1	Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
7		1 and 2	Resources	ICT Compliance with Government Standards	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
8		1 and 2	Resources	ICT Incident Management Process	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
9		1	Resources	IT Infrastructure Strategy	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
Work Planned for Quarter 1 2022-23									
10	1	1 to 4	Communities	Leisure Facilities – Stratford Park	Assurance	High	Field Work Started	Field Work Started	Leisure facilities activity split into two tranches - Stratford Park (Quarter 1) and The Pulse (Quarter 2).
11	1	1 and 2	Communities	Social Housing Decarbonisation Fund (Demonstrator)	Assurance	High	Final Report Issued	Final Report Issued	Reported to November 2022 Committee.
12	1	4	Place	Canal Restoration Project – Risk Management	Assurance	High	Planned	Planned	Quarter 4 delivery request from service management agreed.
13	1	1 and 2	Place	Planning Applications – Consultations with Town and Parish Councils	Assurance	Medium	Final Report Issued	Final Report Issued	Reported to September 2022 Committee.
14	1	2	Place	Planning Enforcement	Consultancy	Consultancy	Final Report Issued	Final Report Issued	Interim position reported to November 2022 Committee. Further ARA consultancy input requested for later in 2022-23.
15	1	1	Place	Planning Enforcement – Complaints Data Analysis	Assurance	High	Final Report Issued	Final Report Issued	Information Sheet released to Committee in July 2022.
16	1	1 to 3	Place	Innovate to Renovate – Claim 1	Assurance	Medium	Final Report Issued	Draft Report Issued	Claim 1 and Claim 2 outcomes consolidated into one report. Reported to February 2023 Committee.
17	NEW	1 and 2	Resources	Contain Outbreak Management Fund (COMF) - Grant Certification	Assurance	High	Final Report Issued	Final Report Issued	New activity. Reported to September 2022 Committee.
18	1	1 and 2	Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Final Report Issued	Final Report Issued	Activity split into two tranches. This is tranche 1. Tranche 1 position reported to November 2022 Committee.
19	1	TBC	Resources	IT Applications Management	Assurance	High	Planned	Planned	Conclusion of in progress ICT activities prioritised. Audit planning on hold. Potential for audit deferral.
20	1	3 to 4	Resources	IT Cyber Security	Assurance	High	Field Work Started	Planned	Scoping meeting completed in September 2022. Audit to start in quarter 3.
21	1	1 to 3	Resources	IT Disaster Recovery – Follow-Up	Assurance	High	Final Report Issued	Field Work Started	Reported to February 2023 Committee.
22	NEW	1	Resources	Test and Trace Support Payment Scheme – Grant Certification	Assurance	High	Final Report Issued	Final Report Issued	New activity. Reported to September 2022 Committee.
Work Planned for Quarter 2 2022-23									

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
23	2	2 to 4	Communities	Cleaner Estates Strategy (Refuse)	Assurance	High	Field Work Started	Field Work Started	Deferred from 2021-22 Plan.
24	2	TBC	Communities	Housing Management System – Project Management	Assurance	High	Planned	Planned	Potential for audit deferral. Due to agreed new high priority activities within the 2022-23 Plan.
25	2	4	Communities	Housing Revenue Account (HRA) Delivery Plan	Assurance	High	Planned	Planned	Quarter 4 delivery agreed.
26	2	2 to 4	Communities	Leisure Facilities – The Pulse	Assurance	High	Field Work Started	Field Work Started	Leisure facilities activity split into two tranches - Stratford Park (Quarter 1) and The Pulse (Quarter 2).
27	2	2 to 4	Communities	Out of Hours Emergencies – Follow-Up	Assurance	High	Field Work Started	Field Work Started	SLT request for audit to be placed on hold as at January 2023. Scope change may be required.
28	2	4	Communities	Safeguarding	Assurance	High	Planned	Planned	Planning initiated within Quarter 2. Audit delivery to occur from Quarter 4.
29	2	4	Communities	Social Housing Decarbonisation Fund (Wave 1)	Assurance	High	Planned	Planned	Audit start held pending outcomes from the Demonstrator grant. Quarter 4 delivery to occur.
30	2	2 to 3	Place	Innovate to Renovate – Claim 2	Assurance	Medium	Final Report Issued	Draft Report Issued	Claim 1 and Claim 2 outcomes consolidated into one report. Reported to February 2023 Committee.
31	2	TBC	Place	ISO 14001 – Environmental Management System	Consultancy	Consultancy	Planned	Planned	Potential for audit deferral. Due to agreed new high priority activities within the 2022-23 Plan.
32	2	N/A	Resources	IT Procurement	Consultancy	Consultancy	Not Required	Planned	Risk assessment updated completed in year. Audit activity not required in 2022-23 due to levels of IT Procurement.
33	2	TBC	Resources	Member Expenses	Assurance	Medium	Planned	Planned	Potential for audit deferral. Due to agreed new high priority activities within the 2022-23 Plan.
34	2	4	Resources	Risk Management-Risk Assurance Map	Consultancy	Consultancy	Planned	Planned	Quarter 4 delivery agreed.
Work Planned for Quarter 3 2022-23									
35	3	N/A	Council Wide	Business Continuity	Assurance	High	Deferred	Planned	Strategic lead change has occurred. Audit deferred to 2023-24 Internal Audit Plan.
36	3		Council Wide	Contract Management Framework	Assurance	High	Planned	Planned	
37	3	N/A	Council Wide	Emergency Planning	Assurance	High	Deferred	Planned	Strategic lead change has occurred. Audit deferred to 2023-24 Internal Audit Plan.
38	3		Council Wide	Fit for the Future Programme	Assurance	High	Planned	Planned	Deferred from 2021-22 Plan.
39	3	N/A	Communities	Homelessness Prevention	Assurance	Medium	Deferred	Planned	Audit deferred to 2023-24 audit planning risk assessment due to agreed new high priority activities within the 2022-23 Plan.
40	3		Communities	Section 20 Leaseholder Service Charges	Assurance	High	Planned	Planned	
41	3		Place	Brimscombe Port	Assurance	High	Planned	Planned	
42	3	N/A	Place	Health and Safety Audits	Assurance	Medium	Deferred	Planned	Audit deferred to 2023-24 audit planning risk assessment due to agreed new high priority activities within the 2022-23 Plan.
43	3		Resources	Cash and Bank	Assurance	High	Planned	Planned	Potential for audit deferral. Due to agreed new high priority activities within the 2022-23 Plan.
44	3		Resources	Insurance	Assurance	High	Planned	Planned	
45	3	N/A	Resources	Government Procurement Cards	Assurance	Medium	Deferred	Planned	Audit deferred to 2023-24 audit planning risk assessment due to agreed new high priority activities within the 2022-23 Plan.

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Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
46	3		Resources	Payroll and Pension Administration	Assurance	High	Planned	Planned	
Work Planned for Quarter 4 2022-23									
47	4		Communities	Housing Voids – Follow-Up	Assurance	High	Planned	Planned	
48	4		Place	Planning Enforcement – Follow-Up	Assurance	High	Planned	Planned	
49	4		Place	Sustainable Warmth Grant (Home Upgrade Grant Phase 1)	Assurance	High	Planned	Planned	
50	4		Place	Sustainable Warmth Grant (Local Authority Delivery Scheme Phase 3)	Assurance	High	Planned	Planned	
51	4	TBC	Resources	Council Tax – Opening Debits	Assurance	High	Planned	Planned	Potential for audit deferral. Service request for completion in 2023-24.
52	4		Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Planned	Planned	Activity split into two tranches. This is tranche 2.
53	4		Resources	Election Payments	Assurance	High	Planned	Planned	Potential for audit deferral. Due to agreed new high priority activities within the 2022-23 Plan.
54	4	TBC	Resources	National Non-Domestic Rates (NNDR) – Opening Debits	Assurance	High	Planned	Planned	Potential for audit deferral. Service request for completion in 2023-24.
55	NEW		Resources	Right To Buy	Assurance	High	Planned	Planned	New activity.
56	4	TBC	Resources	Risk Management Follow-Up	Assurance	High	Planned	Planned	Potential for audit deferral. Based on recommendation target dates from original review.
57	4		Resources	Treasury Management and Ethical Investments Strategy	Assurance	High	Planned	Planned	
Work Planned for Throughout 2022-23									
58			Communities	Leisure Facilities – Local Authority Trading Company	Consultancy	Consultancy	Ongoing	Ongoing	
59			Counter Fraud	Counter Fraud	Assurance	High	Ongoing	Ongoing	Counter Fraud activity progresses throughout the year and is reported at each Committee.

Key:

	The audit has started or will start on time.
	The audit commencement has been or is likely to be delayed.
	The audit is not likely to be undertaken in this financial year.

TBC:

N/A:

To be confirmed.

Not applicable.

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

Appendix B

Document is Restricted

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